



Neo Solar Power Corporation

(incorporated as a company limited by shares in Taiwan, the Republic of China)

US\$120,000,000

Credit Enhanced Currency Linked Zero Coupon Convertible Bonds due 2017 **Issue Price: 100%**

We are offering US\$120,000,000 aggregate principal amount of Credit Enhanced Currency Linked Zero Coupon Convertible Bonds due 2017 (the “Bonds”). Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and we will redeem the Bonds, on July 18, 2017 (the “**Maturity Date**”) at the Settlement Equivalent (as defined herein) of 100% of the unpaid principal amount thereof. The Bonds will not bear any interest. The Bonds will be convertible into our common shares (the “Shares” or the “Common Shares”), par value NT\$10.00 per share, during the period from and including August 27, 2014 to and including July 8, 2017, except during certain Closed Periods (as defined herein), at an initial conversion price of NT\$39.05 per share with a fixed exchange rate of NT\$29.890 = US\$1.00 applicable on conversion of the Bonds. The Shares are listed on the Taiwan Stock Exchange Corporation (the “**TWSE**”) under the stock code “3576” and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. See “Risk Factors — Risk Relating to Ownership of the Bonds and Our Shares.” On July 10, 2014, the closing price of our Shares on the TWSE was NT\$35.5.

Payments of the principal of and premium on the Bonds at maturity or upon redemption or repurchase will have the benefit of an irrevocable standby letter of credit (the “**Letter of Credit**”) issued by ING Bank N.V., acting through its Taipei Branch. See “Description of the Letter of Credit”.

We may redeem the Bonds then outstanding, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount, if, as a result of certain changes in the laws or regulations of the Republic of China (the “**ROC**”) occurring after July 18, 2014, we become obligated to pay Additional Amounts (as defined herein).

You may require us to repurchase the Bonds, in whole or in part (being US\$100,000 in principal amount and integral multiples thereof), (i) at the Settlement Equivalent of the Early Redemption Amount in the event of a Delisting (as defined herein) or (ii) at the Settlement Equivalent of the Early Redemption Amount in the event of a Change of Control (as defined herein).

Upon the occurrence of an LC Redemption Event (as defined herein) and to the extent permitted by applicable law, we shall redeem all, and not some only, (subject to certain rights of a Bondholder to elect not to have its Bonds redeemed) of the outstanding Bonds at the Settlement Equivalent of the Early Redemption Amount as of the LC Redemption Event Date (as defined herein).

The Bonds will be our direct, unconditional, unsubordinated, but subject to a negative pledge, as described in “Description of the Bonds — 3. Negative Pledge”, and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

We have received approval in-principle for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our company, our subsidiaries, our associated companies, the Bonds or the Shares. Prior to this offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Shares.

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN “RISK FACTORS” BEGINNING ON PAGE 16 OF THIS OFFERING CIRCULAR.

Neither the Bonds, the Letter of Credit nor the Shares, have been or will be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any state securities laws, and are being offered and sold outside the United States in accordance with Regulation S under the U.S. Securities Act, and outside the ROC. The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of restrictions on transfers of the Bonds, see “Transfer Restrictions” and “Plan of Distribution.”

The Bonds will be represented by one or more global certificates (each a “**Global Bond**”) and will be fully issued in registered form in the name of Citivic Nominees Limited, as the nominee for, and shall be deposited with, Citibank Europe plc, as common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchasers expect to deliver the Bonds to purchasers on or about July 18, 2014.

Joint Global Coordinators, Joint Bookrunners and Initial Purchasers

Daiwa Capital Markets Hong Kong Limited
(大和資本市場香港有限公司)

ING Bank N.V.

Offering Circular dated July 10, 2014

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We accept full responsibility for the information contained in this Offering Circular and, having made all reasonable enquiries, confirm that this Offering Circular contains all information with respect to us (including our subsidiaries), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds. The statements contained in this Offering Circular relating to us, our subsidiaries, the Bonds, the Letter of Credit and the Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Bonds and the Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. Further, all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. Where information contained in this Offering Circular includes extracts from summaries of information and data from various published and private sources, we accept responsibility for accurately reproducing such summaries and data.

Information contained in this Offering Circular is updated to the dates indicated herein. Save where there are any material changes, the omission of which would make any statement in this Offering Circular misleading, we have not updated such information to the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us, the Joint Bookrunners, Citicorp International Limited, as trustee (the “**Trustee**”), Citibank, N.A., London Branch, as principal paying agent, conversion agent and transfer agent (the “**Principal Agent**”) and as registrar (the “**Registrar**”), to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “Plan of Distribution”.

None of the Joint Bookrunners, the Trustee, the Principal Agent or the Registrar has separately verified the information contained in this Offering Circular (financial, legal or otherwise). Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Joint Bookrunners, the Trustee, the Principal Agent or the Registrar, as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, the Letter of Credit and the Shares. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Bookrunners, the Trustee, the Principal Agent or the Registrar nor on any person affiliated with the Joint Bookrunners, the Trustee, the Principal Agent or the Registrar in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of us and the merits and risks involved in investing in the Bonds. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should consult its own advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

No person is authorized to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of us, the Joint Bookrunners, the Trustee, the Principal Agent or the Registrar. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

This Offering Circular has been prepared by us solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure or any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

CERTAIN DEFINITIONS, CONVENTIONS AND GENERAL INFORMATION

All references to “**Neo Solar Power Corporation**”, “**NSP**”, “**we**”, “**us**”, “**our**” and the “**Company**” in this Offering Circular refer to Neo Solar Power Corporation. All references to “**Shares**” or “**Common Shares**” refer to our common shares, par value NT\$10 per share. All references herein to “**Taiwan**”, the “**ROC**” and the “**Republic of China**” are to the island of Taiwan and other areas under the effective control of the Republic of China. All references herein to the “**ROC Government**” and the “**ROC Company Act**” are references to the government of the Republic of China and the Company Act of the Republic of China, respectively. All references to “**TWSE**” are to the Taiwan Stock Exchange and “**GreTai Market**” are to GreTai Securities Market (formerly known as the Over-the-Counter Securities Exchange in the ROC). “**ROC Business Day**” means a day (other than a Saturday or Sunday) on which the commercial banks are open for business in Taipei, ROC.

References to the “**PRC**” are to mainland China and do not include Hong Kong, Macau or Taiwan. “**PRC person**” means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including any special administrative region of the PRC such as Hong Kong or Macau), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled or beneficially owned by any such person, resident, agency or instrumentality.

We prepare our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2013 in conformity with the International Financial Reporting Standards, International Accounting Standards, and IFRIC Interpretations and SIC Interpretations endorsed by the ROC Financial Supervisory Commission (the “**FSC**”) and the “**Regulations Governing the Preparation of Financial Reports by Securities Issuers**” (the “**Taiwan IFRSs**”) which, however, differs from U.S. GAAP, IFRSs or the generally accepted accounting principles of certain other countries. Our financial statements as of and for the years ended December 31, 2012 and 2013 have been audited by Deloitte & Touche, independent auditors, as indicated in their reports included elsewhere in this Offering Circular. We also prepared unaudited consolidated financial statements as of and for the three months ended March 31, 2013 and 2014 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “**Interim Financial Reporting**.” Our financial statements as of and for the three months ended March 31, 2013 and 2014 have been reviewed by Deloitte & Touche, independent auditors, as indicated in their reports included elsewhere in this Offering Circular.

All references herein to “**United States Dollars**” “**U.S. dollars**” and “**US\$**” are to United States dollars and all references to “**New Taiwan Dollars**”, “**NT Dollars**”, “**NT dollars**” and “**NT\$**” are to New Taiwan Dollars. All translations from New Taiwan Dollar amounts to United States Dollar amounts were made (unless otherwise indicated) on the basis of the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board for March 31, 2014 of NT\$30.45 = US\$1.00. See note 6 to our audited consolidated financial statements as of January 1, 2012, December 31, 2012 and December 31, 2013 and for the years ended December 31, 2012 and 2013 and note 6 to our unaudited consolidated financial statements as of and for the three months ended March 31, 2013 and 2014 included elsewhere in this Offering Circular. All amounts translated into United States Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the New Taiwan Dollar or United States Dollar amounts referred to herein could have been or could be converted into United States Dollars or New Taiwan Dollars, as the case may be, at any particular rate, the above rates or at all. All references herein to “**Euro**” and “**EUR**” are to the Euro. Any discrepancies in any table, graphs or charts included in this document between the totals and the sums of the amounts listed are due to rounding.

For a description of documents available to holders of the Bonds, see “**General Information**”.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Offering Circular regarding, among other things, our financial condition, future expansion plans and business strategy. You can identify some of these forward-looking statements by terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the intensely competitive industry in which we operate;
- risks relating to our industry;
- general economic, political and social conditions and developments in our major markets such as the ROC and the PRC and other jurisdictions in which we operate our businesses;
- regulations (including the risk of deregulation and of new and untested regulations) to which our businesses are subject;
- our ability to achieve or control future capital expenditure, loan growth, provisions, write-offs or collateral coverage;
- the impact of mergers and acquisitions, competing demands for our capital, and the risk of undisclosed liabilities;
- the amount of dividends received from our subsidiaries and other investee companies;
- legal proceedings; and
- other risks identified in the “Risk Factors” section of this Offering Circular.

We are under no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions discussed in “Risk Factors” and elsewhere in this Offering Circular, the forward-looking events discussed in this Offering Circular might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC

We are a company limited by shares and incorporated under the ROC Company Law. All of our directors and executive officers and certain of the experts named in this Offering Circular are residents of the ROC, and a significant portion of our assets and these persons are located in the ROC. As a result, it may not be possible for you to effect service of process upon us or any of these persons outside of the ROC, or to enforce against any of them judgments obtained in courts outside of the ROC. Our ROC counsel has advised that any final judgment obtained against us or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds or the Shares deliverable upon conversion of the Bonds will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedure resulting in the judgment are not contrary to the public order or good morals of the ROC;
- the judgment is a final judgment for which the period for appeal has expired or from which no appeal can be taken;
- if the judgment was rendered by default by the court rendering the judgment, (i) we or such persons were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on us or such persons with judicial assistance of the ROC; and
- judgments of the courts of the ROC would be recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan), or CBC, for the remittance out of the ROC of any amounts exceeding US\$100,000 or its equivalent recovered in respect of the judgment denominated in a currency other than NT dollars. See “Appendix B — Foreign Investment and Exchange Controls in the ROC”.

SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. This summary may not contain all of the information that you should consider before deciding to invest in the Bonds. We urge you to read this entire Offering Circular carefully, including the “Risk Factors” section on page 16 and our financial statements and related notes thereto located elsewhere in this Offering Circular.

Business Overview

We are a leading solar product manufacturer specializing in the research, development, and manufacturing of high-efficiency solar cells, solar modules and solar systems. We are the world’s largest merchant solar cell supplier in 2013 according to data derived from Solarbuzz, and one of the top five solar cell manufacturers in the world in terms of annual manufacturing capacity.

We are primarily engaged in the design, manufacture and marketing of high-performance solar cells, which are made from specially processed silicon wafers and convert sunlight into electricity. We sell our solar cells mainly to solar module manufacturers who assemble and integrate our solar cells into solar modules and systems. We also manufactured solar modules on a small-scale basis before our acquisition of DelSolar Co., Ltd. (“**DelSolar**”), a leading solar cell and module manufacturing company based in Taiwan, in May 2013. Through our acquisition of DelSolar, we have significantly expanded our solar module production facilities and capacity. We develop and market our solar cells with our own brand name while focus on OEM business as to our solar modules. In 2012 and 2013 and the three months ended March 31, 2014, net sales generated from our solar cells were NT\$10,996.9 million, NT\$16,758.6 million (US\$550.4 million) and NT\$6,255.4 million (US\$205.4 million), respectively, accounting for 89.8%, 83.4% and 86.0% of our total net sales for the respective periods. In 2012 and 2013 and the three months ended March 31, 2014, net sales generated from our solar modules were NT\$1,177.7 million, NT\$3,018.6 million (US\$99.1 million) and NT\$956.7 million (US\$31.4 million), respectively, accounting for 9.6%, 15.0% and 13.1% of our total net sales for the respective periods.

We have experienced rapid and scalable growth as we expanded manufacturing capacity and our customer base around the world. We intend to increase market share by focusing on process technology improvements and product development of high efficiency products to manufacture high-quality solar cells with high conversion efficiencies on a cost-effective basis and on a large scale. The average conversion efficiency rate of our multicrystalline solar cells were 17.2%, 17.4% and 17.5% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 17.0% in 2011. The average yield rate was 99.0%, 98.7% and 98.8% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 98.5% in 2011. The average conversion efficiency rate of our monocrystalline solar cells was 19.0%, 19.4% and 19.5% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 19.0% in 2011. The average yield rate was 99.2%, 99.0% and 99.1% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 98.9% in 2011. We believe our Taiwan-based design, development and manufacturing facilities provide us with several competitive advantages, including lower operating expenses and access to highly skilled technical expertise.

We have a proven track record of rapid capacity expansion, and our manufacturing operations are highly scalable. We began producing solar cells with an initial annual production capacity of 30MW in 2006 and have rapidly expanded our annual production capacity. Our acquisition of DelSolar in May 2013 has further enhanced our economies of scale, strengthened our product portfolio and expanded our geographic coverage. As of March 31, 2014, our total installed annual manufacturing capacity for solar cells and modules was 2.2GW and 240MW, respectively. We plan to expand our solar cells capacity to 3.0GW by the end of 2015 and our solar modules capacity to 480MW by the end of 2014.

We have customers across the globe, including many of the established companies in the global solar power generation and project development industry. As of March 31, 2014, we have 135 customers worldwide. We aim to develop long-term strategic relationships with our existing customers, as well as continue to expand and diversify our customer base in terms of geographic coverage. Although

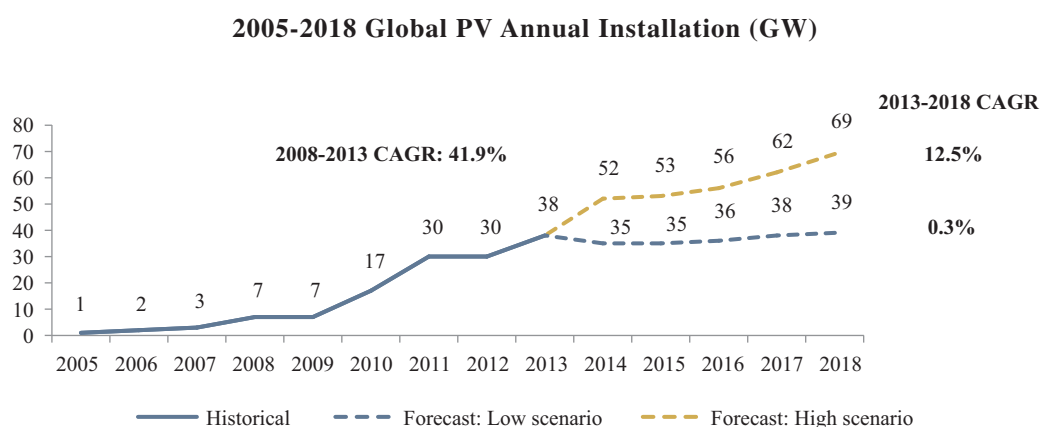
historically many of our customers were based in Europe and the PRC, we have successfully expanded our customer base to North America and Japan. We have also established OEM arrangements with some of our customers, under which we agree to process silicon wafers into solar cells and/or modules for these OEM customers for a service fee.

Leveraging our expertise in manufacturing high quality solar cells and modules and our experience in the photovoltaic industry, we are currently developing solar power projects in the United States, Japan and Taiwan through our subsidiary General Energy Solutions International Co., Ltd. We have completed phase one of the solar system project construction at Indianapolis International Airport in the United States in October 2013 with construction of phase two expected to be completed in the fourth quarter of 2014. Such system is expected to be the North America's largest solar system at an airport upon completion of phase two construction in terms of power generating capacity at approximately 25MW. In 2012 and 2013 and the three months ended March 31, 2014, net sales from our solar system installation services was nil, NT\$85.7 million (US\$2.8 million) and nil, respectively, accounted for nil, 0.4% and nil of our total net sales for the respective periods.

Our net sales increased by 64.1% from NT\$12,241.0 million in 2012 to NT\$20,084.3 million (US\$659.6 million) in 2013. We experienced a net loss of NT\$4,201.3 million in 2012 due to the downturn in the global economy and the solar industry, the dropping average selling price of solar cells and our penalty payment for early termination of the supply agreements with our wafers suppliers. We generated a net income of NT\$515.4 million (US\$16.9 million) and NT\$384.4 million (US\$12.6 million) in 2013 and the three months ended March 31, 2014, respectively, due to increase in demand for solar cells and modules, rebound in average selling price of solar cells and cost reductions from procurement and manufacturing overhead, resulting from increased purchasing power and our increased economies of scale, which was in part contributed by our acquisition of DeSolar. Our shipment of solar cells and modules for 2012 and 2013 and the three months ended March 31, 2014 was 847.6MW, 1,535.8MW and 540.3MW, respectively, including 805.7MW, 1,405.4MW and 497.1MW of solar cells and 41.9MW, 130.4MW and 43.2MW of solar modules, for the respective periods.

Recent Industry Trends and Developments

Solar PV market historical deployment and outlook



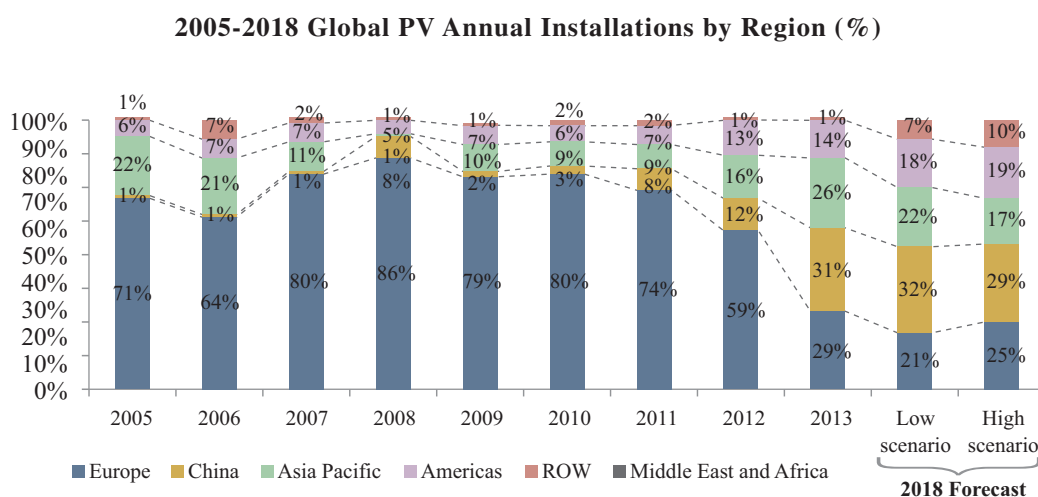
Source: EPIA Global Market Outlook for Photovoltaics 2014-2018 (June 2014)

Solar power is one of the most rapidly growing renewable energy sources today, and the solar power market has grown significantly over the past decade. According to the European Photovoltaic Industry Association, or EPIA, the global annual PV market grew at a CAGR of 41.9% from 7GW in 2008 to 38GW in 2013. PV remains, after hydro and wind power, the third most important renewable energy source in terms of globally installed capacity.

According to EPIA's optimistic scenario, or its "High Scenario" case, which assumes the continuation, adjustment or introduction of adequate subsidy scheme, accompanied by a strong political will to consider PV as a major power source in the coming years, the global PV market is forecasted to grow from 38GW in 2013 to 69GW in 2018, representing a CAGR of 12.5% with growth driven primarily by new markets outside of Europe.

In EPIA's pessimistic forecast scenario, or its "Low Scenario" case, which assumes no major reinforcement or adequate replacement of existing support mechanisms, or a strong decrease/limitation of existing schemes and that the market will slow significantly when Feed-in-Tariffs, or FiTs, are phased out, the global PV market could still grow at a CAGR of 0.3% from 38GW in 2013 to 39GW in 2018.

The chart below sets forth the historical and forecasted global PV annual installation by region for the periods indicated:



Source: EPIA Global Market Outlook for Photovoltaics 2014-2018 (June 2014)

In 2012, Europe accounted for 59% of the world's new PV installations but this number dropped to 29% in 2013 due to declining political support to PV in several European countries such as Germany, Italy, Belgium, France and Spain. EPIA expects this shift of PV demand from Europe to Asia to continue due to surging local energy demand in Asia as well as a favorable regulatory environment, making the PV market a truly global industry.

According to EPIA, China took over the lead in PV annual installations in 2013 after the market has been dominated by Europe for the previous 10 years. In 2013, China's annual PV installation grew by 237%, fuelled by new FiTs and local energy demand. In addition, China was also the largest PV market in 2013 with around 11.8GW of newly installed grid connected PV capacity, followed by Japan with 6.9GW, the U.S. with 4.8GW and Germany with 3.3GW.

Global trade tensions in the PV market altering competitive dynamics

Global trade tensions among solar companies of major exporting countries and major solar product importing countries has become increasingly severe in recent years. In September and November 2012, respectively, the European Union, or the EU, initiated anti-dumping and anti-subsidy investigations of crystalline silicon photovoltaic, or CSPV, wafers, cells, and modules from China. Imports of the products in question are subject to the anti-dumping duties and countervailing duties as the final ruling found that the EU solar industry was materially damaged by such products. In August 2013, the European Commission accepted the undertaking offered by certain PRC solar product exporters, and exempted the participating PRC solar companies from provisional anti-dumping duties. PRC solar companies that didn't participate in such an undertaking package will continue to face a punitive tariff.

Similarly, the United States government also initiated anti-dumping and anti-subsidy investigations towards certain solar products exported from China. In November 2012, the United States International Trade Commission, or the ITC, determined that CSPV modules produced from Chinese cells are materially injuring the United States CSPV cells and modules industry. In December 2012, the United States Department of Commerce, or the DOC, issued its final determinations to impose anti-dumping and countervailing duties on modules using cells manufactured in China regardless where in the world such modules were assembled. According to NPD Solarbuzz, of all the Chinese companies in the global top 10 cell production ranking in 2013, the aggregate U.S.-specific module shipments was 1.7GW in excess of the shipment of cell, which demonstrated that Chinese module manufacturers have quickly adapted to the U.S. antidumping rulings by outsourcing cell production primarily to Taiwan.

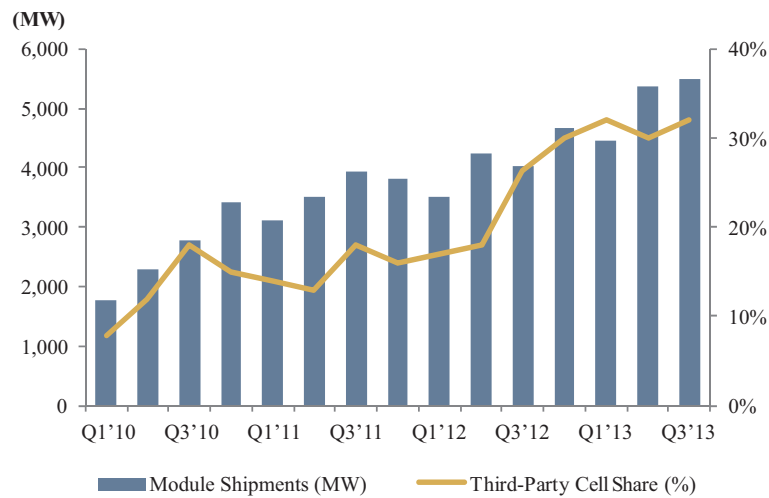
The PRC Ministry of Commerce also initiated investigations on solar grade polysilicon imported from the United States and the European Union in July 2012 and November 2012, respectively. In January 2014, the PRC Ministry of Commerce announced its final ruling and found that exporters in the United States and Korea dumped their products to the PRC market and caused material injury to China's domestic solar industry. The final ruling imposed different level of anti-dumping duties on imported solar-grade polysilicon from the United States and Korea.

In January 2014, the ITC and DOC further initiated investigations against certain crystalline silicon photovoltaic cells and modules imported from the PRC and Taiwan. The PRC and Taiwan solar products in questions are being accused of a dumping margin of 165.04% and 75.68%, respectively, and the anti-dumping duties may be imposed retroactively for up to 90 days from the preliminary determination. Solar products in question imported from the PRC are also subject to anti-subsidy investigation, which the preliminary determination was released in June 2014. According to the preliminary determination of anti-subsidy investigation, modules, laminates or panels assembled in the PRC consisting of cells that are manufactured using ingots or wafer manufactured in the PRC, are subject to countervailing duties of 18.56% to 35.21%. In the previous determination of anti-dumping and anti-subsidy investigations against the PRC, which was announced in December 2012, only modules using cells manufactured in China are subject to countervailing duties of 14.78% to 15.97%. DOC is expected to release its preliminary determination as to anti-dumping duties in July 2014.

In addition to the investigations initiated by the European Union, the United States and China, India also initiated anti-dumping investigation in November 2012 concerning imports of solar cells assembled partially or fully in modules or panels or on glass or some other suitable substrates originating in or exported from Malaysia, China, Taiwan and the United States. In May 2014, India Directorate General of Anti-Dumping and Allied Duties (the "DGAD") released its final ruling that imposes anti-dumping duty on imports of certain solar cells and modules from the four countries mentioned above. Solar cells and models imported from Taiwan will have an anti-dumping duty of US\$0.59 per watt imposed, while imports from other countries will have anti-dumping duties ranging from US\$0.11 to US\$0.81 per watt imposed.

Increasing use of outsourced cell by global crystalline silicon solar module makers

According to NPD Solarbuzz, the use of third-party cells in shipped crystalline silicon solar modules from tier-1 manufacturers has increased from less than 10% in first quarter of 2010 to almost one-third by late 2013. The chart below sets forth the quarterly crystalline silicon module shipment from tier-1 manufacturers and percentage share of shipped crystalline silicon modules using third-party cells.



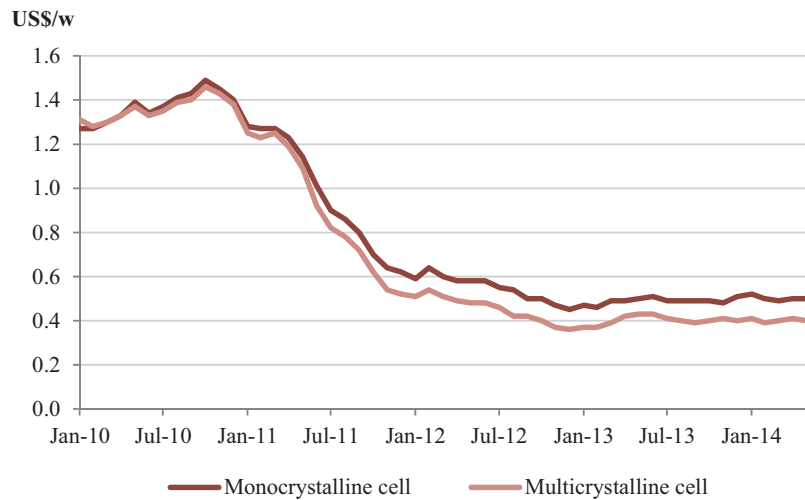
Source: NPD Solarbuzz Module Tracker Quarterly and NPD Solarbuzz PV Equipment Quarterly

The U.S. end market requires Chinese PV modules to be made from non-Chinese made PV cells to avoid antidumping and countervailing duties. With many of the leading Chinese suppliers looking to increase market-share in the U.S., the use of third-party suppliers for cells is expected to continue to grow over the next few quarters.

Along the PV value chain, tolling and contract manufacturing has been widely used at wafer and cell manufacturing. Such trend is shifting gradually to module manufacturing, which allows module manufacturers to reduce capital expenditure for additional capacity requirement.

Stabilization of solar cell price in 2013 following decline in 2011 and 2012

According to Bloomberg New Energy Finance, the global average selling price of mono-crystalline cell published in December 2013 increased by 13.3% over the same period in the previous year, after declining by 55.7% and 27.4% in 2011 and 2012, respectively. The global average selling price of multi-crystalline cell published in December 2013 increased by 11.1% in 2013, after declining by 62.3% and 30.8% in 2011 and 2012, respectively. The chart below sets forth the monthly average price of global mono-crystalline and multi-crystalline silicon solar cell price.



Source: Bloomberg New Energy Finance

Our Competitive Strengths

We believe the following competitive strengths enable us to compete effectively and to capitalize on the growth opportunities in the solar power industry:

- strong research and development capability and world-class technology;
- superior product quality and manufacturing cluster excellence through leveraging semiconductor manufacturing process knowledge;
- significant cost advantage from efficient procurement and seamless manufacturing;
- substantial scale of operation;
- long-term synergistic relationships with global customers; and
- highly experienced management with strong semiconductor and solar industry experience.

Our Strategies

Our goal is to become an undisputed leading merchant solar cell producer and supplier-of-choice to global solar OEM equipment vendors. To achieve our goal, we intend to grow our business through the following strategies:

- continue to pursue technology innovation;
- further business diversification to emerging markets and downstream project development;
- target premium segments with high price-performance products to alleviate direct price competition and mitigate margin pressure;
- continue to reduce cost to maintain cost leadership; and
- prudent capacity expansion and ongoing diversification of manufacturing locations.

Rights Issuance

On March 18, 2014, our board of directors has approved a potential rights issuance in the ROC for the subscription of up to 65,000,000 Shares (the “**Rights Issuance**”), of which 80% of such Shares are to be offered to our existing shareholders, 10% of such Shares offered to our employees and the remaining 10% of such Shares offered to the public. In the event we decide to conduct such Rights Issuance, the relevant details, including the subscription price and the number of Shares to be issued, will be included in a separate announcement by us close to the launch date of the Rights Issuance.

Rights Issuance may result in subscription of our Shares at a discount to the current market price of the Shares. As a result, in the event we have determined to proceed with the Rights Issuance, the value of the Bonds and our Shares may be depressed as a result. See “Risk Factors — Risks relating to the Bonds and the Shares — Future issues, offers or sales of the Shares or any securities that are substantially similar to the Shares, including but not limited to any securities that may be convertible into, or exchangeable for the Shares may hurt the value of the Bonds.” The Rights Issuance may also result in antidilution adjustment to the conversion price of the Bonds. See “Description of the Bonds — 6. Conversion — (C) Adjustments to Conversion Price — (i) Antidilution Adjustments.”

Agreement with Delta Electronics Inc.

In connection with our acquisition of DelSolar, we entered into an agreement with Delta Electronics Inc., a major shareholder of DelSolar, that sets forth certain capital injection obligations and share transfer restrictions.

Pursuant to the agreement, within 18 months after the completion of our acquisition of DelSolar on May 31, 2013, Delta Electronics Inc. is obligated to participate in all of our equity and debt financings as permissible under applicable law and regulation that will result in a change to our capital structure, which will include the potential Rights Issuance. Delta Electronics Inc. will be obligated to purchase a percentage in each of such offerings that is equal to the percentage of its shareholdings in our company at the time of the offering. In addition, in the event any such offering is under-subscribed, Delta Electronics Inc. is obligated to purchase such under-subscribed portion of the offering. However, such purchase obligation of Delta Electronics Inc. is limited to a maximum of NT\$1.5 billion.

Furthermore, pursuant to the agreement, DelSolar is restricted from transferring our Shares or economic consequences of ownership of our Shares or place any encumbrances on our Shares or agree to enter into any transactions that will result in the foregoing within 42 months after the completion of our acquisition of DelSolar. For the six months following such initial 42 months period, in the event Delta Electronics Inc. transfer our Shares above a certain threshold, Delta Electronics Inc. will be required to provide us with prior written notice. Within six months after receiving such notice, we may appoint a third party to purchase these Shares on the same term from Delta Electronics Inc.

Corporate Information

We were incorporated on August 26, 2005. We have been listed on the TWSE since January 12, 2009 with the trading code “3576.”

Our principal executive and registered office is located at 7, Li-Hsin 3rd Rd, Hsinchu Science Park, Hsinchu, Taiwan 30078, ROC, and our telephone number at the above address is (886-3) 578-0011. Our website is www.neosolarpower.com. Chinatrust Commercial Bank Co., Ltd. acts as our share registrar and maintains the register of our shareholders at its offices in Taipei, Taiwan. Our uniform registry number is 27763753.

Summary Financial and Operating Data

The following table presents our summary financial and operating data. The summary consolidated financial data as of and for the years ended December 31, 2012 and 2013 set forth below are qualified by reference to, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this Offering Circular. The summary consolidated financial data as of and for the three months ended March 31, 2013 and 2014 set forth below are qualified by reference to, and should be read in conjunction with, our unaudited consolidated financial statements included elsewhere in this Offering Circular. The audited financial statements have been prepared and presented on a consolidated basis and in accordance with Taiwan IFRSs which, however, differs in certain material respects from generally accepted accounting principles in the United States, or U.S. GAAP, and IFRSs, including with respect to the rules regarding the presentation of consolidated financial statements. See “Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs.” The unaudited financial statements have been prepared and presented on a consolidated basis and in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting.”

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2012	2013		2013	2014	
	NT\$	NT\$	US\$	NT\$	NT\$	US\$
		(audited)			(unaudited)	
	(in thousands, except for %)					
Statement of Operations Data:						
Net sales	12,241,013	20,084,253	659,581	2,591,023	7,277,299	238,992
Cost of sales	(15,490,712)	(18,374,388)	(603,428)	(2,885,703)	(6,486,312)	(213,015)
Gross (loss) profit	(3,249,699)	1,709,865	56,153	(294,680)	790,987	25,977
Total operating expenses	(809,789)	(1,255,997)	(41,248)	(244,038)	(422,097)	(13,862)
Other income and expenses	(145,419)	(139,511)	(4,581)	(50,530)	—	—
(Loss) income from operations	(4,204,907)	314,357	10,324	(589,248)	368,890	12,115
Nonoperating income and expenses .	(36,955)	185,062	6,077	(10,309)	14,661	481
(Loss) income before income tax . . .	(4,241,862)	499,419	16,401	(599,557)	383,551	12,596
Income tax benefit	40,574	16,026	526	—	839	28
Net (loss) income	(4,201,288)	515,445	16,927	(599,557)	384,390	12,624
Per Share Data ⁽¹⁾ :						
Basic (loss) earnings per share	(9.71)	0.86	0.03	(1.29)	0.52	0.02
Diluted (loss) earnings per share . . .	(9.71)	0.85	0.03	(1.29)	0.51	0.02
Other Financial Data:						
Gross margin	(27%)	9%		(11%)	11%	
Operating margin	(34%)	2%		(23%)	5%	
Net profit margin	(34%)	3%		(23%)	5%	

(1) Earnings (loss) per share are calculated by dividing net income (loss) by the weighted average number of Common Shares outstanding during each period after adjusting retroactively for the effect of stock dividends and employees’ bonuses.

	As of December 31,			As of March 31,		
	2012	2013		2013	2014	
	NT\$	NT\$	US\$	NT\$	NT\$	US\$
		(audited)			(unaudited)	
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	5,819,523	6,372,612	209,281	4,526,590	6,046,247	198,562
Notes and Accounts receivable, net	2,406,383	4,342,722	142,618	2,757,654	5,533,050	181,709
Inventories	499,577	1,520,630	49,939	915,197	2,285,031	75,042
Property, plant and equipment	9,642,807	15,606,909	512,542	9,182,555	15,596,304	512,194
Prepayments	324,461	264,611	8,690	561,927	324,362	10,652
Prepayments — noncurrent	1,357,083	1,804,767	59,270	1,471,110	1,643,551	53,975
Total assets	21,099,073	34,312,001	1,126,832	20,890,351	35,717,070	1,172,973
Notes and accounts payable	859,517	2,374,877	77,993	1,391,466	2,708,380	88,945
Current tax liabilities	—	10,201	335	—	8,656	284
Short-term bank loans	2,942,427	2,732,789	89,747	2,644,147	3,613,627	118,674
Current portion of long-term bank loans	1,301,042	1,757,933	57,732	1,299,434	1,989,219	65,327
Bonds payable	—	549,004	18,030	—	275,335	9,042
Long-term bank loans	3,174,465	4,708,754	154,639	3,292,465	4,583,579	150,528
Total liabilities	10,043,495	15,101,260	495,937	10,210,707	15,797,846	518,812
Total equity	11,055,578	19,210,741	630,895	10,679,644	19,919,224	654,161
	Year Ended December 31,			Three Months Ended March 31,		
	2011	2012	2013	2014		
Other Operating Data:						
Amounts of solar cells sold (in MW)	708.5	805.7	1,405.4	497.1		
Amounts of solar modules sold (in MW)	24.4	41.9	130.4	43.2		
Manufacturing yield rate of solar cells:						
Multicrystalline	98.5%	99.0%	98.7%	98.8%		
Monocrystalline	98.9%	99.2%	99.0%	99.1%		
Average conversion efficiency rate of solar cells:						
Multicrystalline	17.0%	17.2%	17.4%	17.5%		
Monocrystalline	19.0%	19.0%	19.4%	19.5%		
Manufacturing capacity utilization rate of solar cell ⁽¹⁾	79.0%	65.0%	97.0%	100.0%		

(1) Utilization rate represents total output as a percentage of weighted average capacity during the respective periods.

Recent Developments

Pursuant to the rules and regulations of the TWSE, we report our consolidated net sales each month on the Market Observation Post System. Our consolidated net sales for April, May and June 2014 amounted to NT\$2.6 billion, NT\$2.6 billion and NT\$2.2 billion, respectively.

These monthly results have not been audited or reviewed by Deloitte & Touche, and may be subject to change and may not be indicative of our net sales for the full year of 2014.

LC Bank

ING Bank is part of ING Groep N.V. (“**ING Group**”). ING Group is the holding company for a broad spectrum of companies (together, “**ING**”). ING Group holds all shares of ING Bank N.V., which is a non-listed 100% subsidiary of ING Group.

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ING is a global financial institution of Dutch origin offering banking services through its operating company ING Bank and holding significant stakes in the listed issuers NN Group N.V. and Voya Financial, Inc. ING draws on its experience and expertise, its commitment to excellent service and its global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

In line with its strategic direction originally announced in 2009, ING completed the separation of its banking operations (which are conducted principally through ING Bank) and insurance operations (which are conducted principally through NN Group N.V. and its subsidiaries). NN Group N.V. was listed on Euronext Amsterdam on July 2, 2014.

ING Bank currently offers Retail Banking services to individuals and small and medium-sized enterprises in Europe, Asia and Australia and Commercial Banking services to customers around the world, including multinational corporations, governments, financial institutions and supranational organisations. ING Bank currently serves more than 33 million customers through an extensive network in more than 40 countries. ING Bank has more than 63,000 employees.

Letter of Credit and Reimbursement Agreement Terms

The Bonds will have the benefit of an irrevocable standby letter of credit issued in favor of the Trustee, on behalf of the holders of the Bonds, by ING Bank N.V., acting through its Taipei Branch (or any replacement therefor) in accordance with the terms of the Letter of Credit (the “**LC Bank**”) pursuant to a reimbursement agreement dated on or about July 10, 2014 between, inter alios, the Company, the LC Bank and certain other banks and financial institutions (including ING Bank N.V. Taipei Branch) (the “**Reimbursement Agreement**”). The Letter of Credit shall be drawable by the Trustee as beneficiary under the Letter of Credit on behalf of the holders of the Bonds upon the presentation of, inter alia, a certificate from the Trustee to the effect that (i) we have failed to pay in respect of the Bonds the amount due on the Maturity Date or the date fixed for redemption, as the case may be; or (ii) an Event of Default (as defined below) has occurred and the Trustee has, after having received the prior consent of the LC Bank (if required in accordance with the Terms and Conditions of the Bonds), given notice to us that the Bonds are immediately due and payable in accordance with the Terms and Conditions of the Bonds.

The stated amount of the Letter of Credit will be limited to NT\$3,586,800,000 (being US\$120,000,000 converted into New Taiwan Dollars at the Fixed Exchange Rate (as defined below), for payment of the principal and premium of the Bonds, as from time to time reduced by redemption or conversion or purchase and cancellation and less any amounts drawn under the Letter of Credit. The payment of the Letter of Credit will be made by the LC Bank to the Trustee in US Dollars, being the Settlement Equivalent of up to the then face value of the Letter of Credit.

Subject to certain exceptions, the Letter of Credit expires on the date falling three years and 30 days after the date of issue of the Bonds.

If any of the Events of Default has occurred, the consent of the LC Bank to an acceleration of the Bonds is required except for the Events of Default provided in Conditions 10(A)(i), 10(A)(ii) and 10(A)(xii).

See “Description of the Bonds — 1. Status and Letter of Credit — (B) Letter of Credit” and “Description of the Bonds — 10. Events of Default — (A) Events of Default”.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Bonds, please refer to the section entitled “Description of the Bonds” in this Offering Circular. Capitalized terms used herein and not defined have the same meaning given to them in this Offering Circular.

Issuer	Neo Solar Power Corporation
Offering	US\$120,000,000 aggregate principal amount of Credit Enhanced Currency Linked Zero Coupon Convertible Bonds due 2017, being offered outside the United States (in reliance on Regulation S under the U.S. Securities Act) and the ROC in offshore transactions.
Interest	The Bonds will not bear any interest.
Letter of Credit	Payments of the Settlement Equivalent of principal of and premium on the Bonds at maturity or upon redemption or repurchase will have the benefit of an irrevocable standby letter of credit issued in favor of the Trustee, on behalf of the holders of the Bonds, by ING Bank N.V., acting through its Taipei Branch (the “ LC Bank ”). See “Description of the Letter of Credit”.
Lock-up	We and certain of our directors, officers and shareholders have agreed that for a period of 90 days after the date of this Offering Circular (the “ Lock-Up Period ”), we will not, without the Initial Purchasers’ prior written consent, offer, sell, contract to sell or otherwise dispose of any of our securities that are substantially similar to the Bonds or Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities (other than (A) the sale of the Bonds, (B) issuances of Lock-Up Securities (as defined in “Plan of Distribution”) pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date hereof, (C) grants of employee stock options and employee restricted Shares pursuant to the terms of an employee stock option plan in effect on the date hereof of, (D) issuances of Lock-Up Securities pursuant to the exercise of such employee stock options referred to in clause (C), or (E) the preparation work for the purpose of effecting the potential Rights Issuance in the ROC, including attending filing with relevant regulatory bodies in the ROC and the disclosure by way of public announcement(s) relating to such potential Rights Issuance as required by such relevant regulatory bodies or under relevant laws of the ROC, provided that the ex-rights date in respect of such potential Rights Issuance shall fall only after expiry of the Lock-Up Period. See “Plan of Distribution.”
Issue Date	July 18, 2014.

Maturity Date and Final Redemption	Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds, on July 18, 2017 at the Settlement Equivalent (as defined herein) of 100% of the unpaid principal amount thereof.
Issue Price	100% of the principal amount of the Bonds.
Ranking	The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in “Negative Pledge” below) and unsecured obligations, and will rank pari passu without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (a “Bondholder”) will have the right during the Conversion Period (as defined herein) to convert its Bonds, in whole or in part (being US\$100,000 in principal amount and integral multiples thereof), into Common Shares at anytime from August 27, 2014 to July 8, 2017 (or if the Bonds are called for redemption prior to the Maturity Date, on the date five Trading Days prior to the redemption date), <i>provided, however</i>, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See “Description of the Bonds — 6. Conversion” and “Risk Factors — Risks Relating to Ownership of Bonds and our Shares — There are limitations on the Bondholders’ ability to exercise conversion rights.” Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Shares in certificated or book-entry form to the converting Bondholders for the purpose of trading the Common Shares on the TWSE.
Conversion Price	The conversion price will initially be NT\$39.05 per share with a fixed exchange rate applicable on conversion of Bonds of NT\$29.890 = US\$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or combination of shares, bond issues, right issues, distributions, stock dividends, and other dilutive events. See “Description of the Bonds — 6. Conversion (C) Adjustments to Conversion Price.”
Early Redemption Amount	The Early Redemption Amount for each US\$100,000 of Bonds is determined so that it represents for the Bondholder a gross yield of 0% per annum on a semi-annual basis. See “Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (B) Redemption for Tax Reasons.”

Additional Amounts	Payment of principal of and premium and other amounts on the Bonds will be made without withholding for or on account of certain taxes of the ROC or such other jurisdiction in which we are then organized or resident for tax purposes to the extent set forth under “Description of the Bonds — 9. Taxation”, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds.
Tax Redemption	If, as a result of certain changes relating to the tax laws in the ROC, we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of us, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount; <i>provided</i> that such right cannot be exercised earlier than 60 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds. Notwithstanding the foregoing, Bondholders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See “Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (B) Redemption for Tax Reasons.”
Repurchase in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Shares cease to be listed or admitted to trading on the TWSE, each Bondholder shall have the right, at such Bondholder’s option, to require us to repurchase, in whole or in part (being US\$100,000 in principal amount and integral multiples thereof), of such Bondholder’s Bonds on the Delisting Put Date, which shall not be less than 30 days nor more than 60 days after the Trustee mails to each Bondholder a notice regarding such delisting at the Settlement Equivalent of the Early Redemption Amount. See “Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (D) Repurchase of the Bonds in the Event of Delisting.”
Repurchase in the Event of Change of Control	Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, each Bondholder shall have the right, at such Bondholder’s option, to require us to repurchase, in whole or in part (being US\$100,000 in principal amount and integral multiples thereof), of such Bondholder’s Bonds at the Settlement Equivalent of the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See “Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (E) Repurchase of the Bonds in the Event of Change of Control.”
LC Redemption Event	Upon the occurrence of an LC Redemption Event and to the extent permitted by applicable law, we shall redeem all and not some only of the outstanding Bonds at Settlement Equivalent of the Early Redemption Amount to such date, subject to the right of each holder of the Bonds to elect that such holder’s Bonds shall not be redeemed, but shall remain outstanding without the benefit of the Letter of Credit. See “Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (G) LC Redemption Event.”

Negative Pledge	We will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Security (as defined herein) upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined herein) or to secure any guarantee of or indemnity in respect of any International Investment Securities without making effective provision to secure the Bonds (1) equally and ratably with such International Investment Securities with a similar Security or (2) with such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined herein) of the Bondholders. See “Description of the Bonds — 3. Negative Pledge.”
Form and Denomination	The Bonds will be issuable only in book-entry form and only in denominations of US\$100,000 or any higher integral multiple of US\$100,000. The Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to Citibank Europe plc as common depository. If (1) at any time the Common Depository advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (3) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual definitive bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will not be issuable in a bearer form.
Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.
Governing Law	The Indenture and the Bonds will be governed by the laws of the State of New York.
Trustee	Citicorp International Limited

Principal Paying Agent, Conversion Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Listings	We have received approval in-principle for the listing and quotation of the Bonds on the SGX-ST. Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Bonds are listed on SGX-ST. We have undertaken to list the shares issued upon the conversion of the Bonds on the TWSE. The shares will not be listed on the SGX-ST.
Trading Market for Our Shares	The only trading market for the Shares is the TWSE. Our shares have been listed on the TWSE since January 12, 2009 under the stock code “3576.”
Use of Proceeds	The net proceeds to be received by us from this offering of the Bonds will be approximately US\$117.2 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US\$2.8 million. We intend to use the net proceeds from this offering to procure raw material with foreign currency. Pending any use of proceeds as described above, we intend to invest the net proceeds in short-term, liquid investments.
Transfer Restrictions	This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and our Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law.
Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, is expected on or about July 18, 2014.

RISK FACTORS

An investment in our Bonds involves significant risks. You should carefully consider the risks described below and the other information in this Offering Circular, including our consolidated financial statements and related notes, before you decide to buy our Bonds. If any of the following risks actually occur, our business, prospects, financial condition and results of operations could be materially affected and the trading price of our Bonds could decline. In particular, purchasers of our Bonds should pay particular attention to the fact that we are governed in the ROC by a legal and regulatory environment that in some material respects may differ from that which prevails in other countries, including the United States.

Risks Relating to the Industry and Our Company

A significant reduction in or discontinuation of government subsidies and economic incentives may cause fluctuation to our business and may have a material adverse effect on our results of operations.

Demand for our products substantially depends on government incentives aimed to promote greater use of solar power. In many countries in which we are currently or intend to become active, the photovoltaic, or PV, markets, particularly the market for “on-grid” applications, where solar power is used to supplement the electricity a customer purchased from the utility network, would not be commercially viable without government incentives. This is because the cost of generating electricity from solar power currently exceeds the cost of generating electricity from conventional or non-solar renewable energy sources. As such, the reduction, elimination or expiration of, or reduced growth in, government subsidies, economic incentives and any other support worldwide for on-grid solar electricity may result in weaker demand in solar energy and therefore installation of new solar equipment, resulting potential industry downturn, which could materially and adversely affect the growth of this market or result in increased price competition, both of which could cause our revenues or margins to decline and materially and adversely affect our business, financial condition and results of operations.

The scope of the government incentives for solar power depends, to a large extent, on macroeconomic, political and policy developments in a given country related to environmental, economic, industrial or other concerns such as the competition of solar energy, which could lead to a significant reduction in or a discontinuation of the support for renewable energy sources in such country. For example, in January 2012, Spain announced the suspension of the subsidized electricity prices paid to new photovoltaic power plants. The German government reduced solar feed-in tariffs for roof-top systems and ground-based systems several times in 2009, 2010, 2011 and 2012. In 2010 and May 2011, the Italian government announced annual reductions to feed-in tariffs in an effort to impede its overheating solar market. In April 2011, the British Department of Energy and Climate Change, or the DECC, reduced the feed-in-tariff for PV projects between 250kW and 5MW. In September 2012, the DECC proposed to reduce the Renewables Obligation Certificates (ROCs) support rates for new PV projects accredited from April 2013. In addition, in certain countries, including countries to which we export our products, government financial support has been, and may continue to be, challenged as being unconstitutional or otherwise unlawful. A significant reduction in the scope or discontinuation of government incentive programs, especially in our target markets, would have a material adverse effect on the demand for our solar cells and modules as well as our results of operations.

Changes to international trade policies and barriers as a result of trade protectionism have adversely affected, and may continue to adversely affect, our sales to customers overseas.

In 2012 and 2013 and the three months ended March 31, 2014, approximately 83.8%, 76.8% and 80.3% of our net sales, respectively, are from the sale of our products to customers outside of Taiwan. As such, trade barriers, such as tariffs, taxes, duties, restrictions and expenses will have an adverse effect on our ability to compete effectively against solar cell and module producers located outside of Taiwan. In November 2012, India DGAD initiated anti-dumping investigations against solar cell products imported

from China, the United States, Malaysia and Taiwan. In May 2014, DGAD released its final ruling that imposes anti-dumping duty on imports of certain solar cells and modules from the four countries mentioned above. Solar cells and modules imported from Taiwan will be imposed with an anti-dumping duty of US\$0.59 per watt, while imports from other countries will be imposed with anti-dumping duties ranging from US\$0.11 to US\$0.81 per watt. In addition, in December 2013, a U.S. solar company filed petitions with the U.S. Department of Commerce, or the DOC, and the U.S. International Trade Commission, the ITC, against PRC and Taiwan solar companies for dumping of solar power products and requested anti-dumping duties be imposed on certain crystalline silicon photovoltaic cells and modules imported from the PRC and Taiwan. Acting as one of the representatives of Taiwan solar product manufacturers, we testified at the public hearing held on January 22, 2014 by the ITC, which later approved to commence the preliminary injury investigation and found that U.S. solar industry might have suffered actual injury from the solar products in question. The PRC and Taiwan solar products in questions are being accused of a dumping margin of 165.04% and 75.68%, respectively, and the anti-dumping duties may be imposed retroactively for up to 90 days from the preliminary determination, which the preliminary determination was released in June 2014. According to the preliminary determination of anti-subsidy investigation, modules, laminates or panels assembled in the PRC consisting of cells that are manufactured using ingots or wafer manufactured in the PRC, are subject to countervailing duties of 18.56% to 35.21%. In the previous determination of anti-dumping and anti-subsidy investigations against the PRC, which was announced in December 2012, only modules using cells manufactured in China are subject to countervailing duties of 14.78% to 15.97%. DOC is expected to release its preliminary determination on the anti-dumping duties in July 2014.

Though our policy is that all of our export sales comply with international trade practices, we cannot guarantee that the government agencies in the jurisdictions in which actions are brought will reach the same conclusion. Violations of antidumping and countervailing duty laws can result in significant additional duties imposed on imports of our products into these countries, which increase our costs of accessing future additional markets. Net sales to India as a percentage of our total net sales in 2012 and 2013 and the three months ended March 31, 2014 is minimal. In 2012 and 2013 and the three months ended March 31, 2014, approximately 7.0%, 6.3% and 8.0% of our net sales, respectively, are derived from products sold to the United States. If the investigation by the ITC leads to the imposition of trade tariffs and duties, our sales to the United States and our results of business may be materially and adversely affected. Furthermore, the investigation by the ITC will also affect our sales of solar products to China to third parties that are then produced into solar modules and sold to the United States. In 2012 and 2013 and the three months ended March 31, 2014, approximately 26.8%, 28.3% and 45.3% of our net sales, respectively, are derived from products sold to China. We believe the majority of such sales to China from 2013 to the three months ended March 31, 2014 was subsequently exported to the United States as modules.

Furthermore, we import some of our raw materials, including polysilicon, from suppliers located in the European Union, the United States and Korea to our manufacturing facility and tolling partners in the PRC. Certain of our silicon wafer suppliers are also located in the PRC that import their raw materials from suppliers located in the European Union, the United States and Korea. The PRC Ministry of Commerce initiated investigations on solar grade polysilicon imported from the United States and the European Union in July 2012 and November 2012, respectively. In January 2014, the PRC Ministry of Commerce announced its final ruling and found that exporters in the United States and Korea dumped their products on the PRC market and caused material harm to China's domestic solar industry. The final ruling imposed different level of anti-dumping duties on imported solar-grade polysilicon from the United States and Korea respectively. The PRC Ministry of Commerce's imposition of anti-dumping duties on such imports had caused our former silicon wafer suppliers to raise their prices and we were forced to source such products from other suppliers with more competitive pricing. Although we have sourced and contracted with other suppliers for the aforementioned products, we cannot assure you that we will be able to source sufficient raw material at acceptable prices from substitute suppliers if similar situations were to occur in the future.

There can be no assurance that any government or international trade body will not institute adverse trade policies or remedies against exports from China and Taiwan in the future. Any significant changes in international trade policies, practices or trade remedies, especially those instituted in our target markets or markets where our major customers are located, could increase the price of our products compared to our competitors or decrease our customers' demand for our products, which may adversely affect our business prospects and results of operations.

Demand for our products may be adversely affected by the effect of the current economic and credit environment on our customers.

Europe, the United States and international economies have recently experienced a period of slow economic growth. Near-term economic recovery remains uncertain. In particular, the credit and housing crises, terrorist acts and similar events, continued turmoil in the Middle East or war in general could contribute to a slowdown of the market demand for products that require significant initial capital expenditures, including demand for solar power products. For example, global economics, capital markets and credit disruptions have resulted in slower investments in new installation projects that make use of solar power products. Existing projects have also been delayed as a result of the credit crisis and other disruptions. If the economic recovery slows as a result of the economic turmoil we may experience decreases in the demand for our solar power products, which may harm our operating results.

Global economics, capital markets and credit disruptions also pose risks for our customers. We have benefited from historically low interest rates that have made it more attractive for our customers to use credit to purchase our products. Interest rates have fluctuated recently, which could increase the cost of financing these purchases and may reduce our customers' profits and investors expected returns on investment. Although the current credit environment maintains at a moderate trend in general aspects, there can be no assurance that our customers will be able to borrow money on a timely basis or on reasonable terms, which could have a negative impact on their demand for our products. If economic recovery is slow in the United States or elsewhere, we may experience decreases in the demand for our solar power products, which may harm our operating results. These factors may adversely impact our existing or future sales agreements, including increasing the likelihood of contract breaches. Our sales are affected by interest rate fluctuations and the availability of liquidity, and would be adversely affected by increases in interest rates or liquidity constraints. Rising interest rates may also make certain alternative investments more attractive to investors, and therefore lead to a decline in demand for our solar power products, which could have a material adverse effect on our business, results of operations, financial conditions and cash flows.

The markets in which we compete are highly competitive and many of our competitors may have greater resources than us and we may not be able to compete successfully. In addition to our direct competitors, we also face intense competition from other companies producing solar energy and other renewable energy products.

The solar power market is intensely competitive and rapidly evolving. The number of independent solar PV cell manufacturers has rapidly increased due to the growth of actual and forecast demand for solar power products and the relatively low barriers to entry. Our competitors include Motech Industries Inc., Gintech Energy Corporation and JA Solar Holdings Co., Ltd., among others. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. Some of our competitors have become vertically integrated, from upstream silicon wafer manufacturing to solar power system integration. We expect to compete with future entrants to the photovoltaic market that offer new technological solutions. Furthermore, many of our competitors are developing or currently producing products based on new photovoltaic technologies, including silicon thin film, copper indium gallium selenide thin film, ribbon silicon, organic and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies used by us. In addition, the entire photovoltaic industry also faces competition from conventional and non-solar renewable energy technologies. Due to the relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

Many of our existing and potential competitors may have substantially greater financial, technical, manufacturing and other resources than we do, which may provide them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. Such competitors may have stronger bargaining power with suppliers and have an advantage over us in pricing as well as securing silicon wafer supplies at times of shortages. Our competitors may also have greater brand name recognition, more established distribution networks, larger customer bases, more established relationships with existing and potential customers or more extensive knowledge of our target markets. They may also be able to devote greater resources to the research, development, promotion and sale of their products and respond more quickly to evolving industry standards and changes in market conditions than we can. Current and potential competitors have established or may establish financial or strategic relationships among themselves or with existing or potential suppliers/customers or other third parties. Accordingly, new competitors or alliances among competitors could emerge and rapidly acquire significant market share. If we cannot respond to changes in market conditions more swiftly or effectively than our competitors do, our ability to generate revenue, financial condition and results of operations will be adversely affected.

The demand for and the average selling prices of our solar power products may decline, and supply of solar power products may exceed demand, either of which may adversely affect our revenues and earnings.

The average selling prices of multicrystalline solar cells and monocrystalline solar cells per watt have experienced a decrease in general in the last couple of years. Similarly, the average selling prices of solar modules have also experienced a decrease in general in the last couple of years. This is a result of a combination of factors, such as the significant increase in production capacity across the solar value chain and the slowing down of solar system installation demand, which resulted in over supply and the increase in competition. Changes in market conditions, including continued impacts from the global economic downturn and change in government support for solar power products had also caused the average selling price to drop in the past few years. The average selling price of solar cells and modules in general may face stronger downward pressure and as such, our customers may not perform their short-term or long-term purchase agreements with us at the agreed contract price, or at all. In addition, we may not be able to enter into new sales agreements with other customers in a timely manner, or at all, if our customers terminate their purchase agreements with us. If these negative market and industry trends continue and the price of solar cells and modules continues to decrease as a result, or if our customers do not perform their purchase agreements with us, our revenues and earnings may be materially and adversely affected. Similarly, a sharp reduction in demand for our solar power products that extends upstream to our suppliers may result in a reduction in market prices for our raw materials. Decrease in average selling price of our solar cells and modules and market prices for our raw materials may require us to make a write-down or reserve against our inventory and against raw materials that we have contracted to buy at fixed prices from our suppliers. If average selling prices continue to remain at current levels or decline further, we may also experience losses in the future.

We may experience significant write-downs due to declining average selling price of solar cells and modules, which could adversely affect our margins, profits and net realizable value of our inventories.

The average selling prices of solar cells and modules have experienced a significant degree of volatility in general in the last couple of years. Declining prices may have a negative impact on the net realizable value of our inventories, and we will need to write down the carrying value of our inventories to the extent they are greater than their net realizable value. Although we recorded a gain from price recovery of inventory amounted to NT\$182.6 million, NT\$189.8 million (US\$6.2 million) and NT\$22.2 million (US\$0.7 million) in 2012 and 2013 and the three months ended March 31, 2014, respectively, due to an increase in the average selling price of solar cells and modules during the respective periods, we cannot assure you that the price of solar cells and modules will continue to increase in the future. In addition, if solar cell and module prices decline further in the future and we are unable to lower our costs of raw materials and finished goods in line with the price decline, our gross margins will be adversely affected, and we may suffer negative gross profit and margin.

Fluctuation in the price of polysilicon or solar wafers may adversely affect our earnings and results of operations.

Polysilicon is an essential raw material used in the production of solar wafers that are then used for the production of solar cells and modules. In the past few years, there was an industry-wide shortage of polysilicon, primarily as a result of the growing demand for solar power products. As a result, price of polysilicon has increased significantly during that time. Beginning in late 2008, newly available polysilicon supply and slowing global solar power market growth resulted in an excess supply of polysilicon, which created downward pressure on the price of polysilicon. Although the polysilicon price rebounded between the third quarter of 2010 and the first quarter of 2011 due to the recovery of demand for solar power products in certain markets, the polysilicon price has decreased significantly again starting from the second quarter of 2011 and in 2012, reaching a historical low of approximately US\$14 per kilogram in November 2012. Such low polysilicon price was below most polysilicon manufacturers' manufacturing cost, which resulted in a decrease in the supply of polysilicon as polysilicon manufacturers started to reduce production volume, postpone production or expansion plan, and some of the polysilicon manufacturers even went bankrupted. Since then the price of polysilicon has rebounded gradually. The price of polysilicon may not continue to decline or remain at its current levels.

Increases in the price of polysilicon have in the past increased solar wafer cost and our production costs, and any significant price increase in the future may adversely impact our earnings and results of operations. Furthermore, although we entered into a number of multiyear supply agreements, ranging from three to ten years, for silicon wafers in amounts that were expected to meet our anticipated production needs, such supply contracts generally contain price adjustment provisions that closely link our purchase costs with market prices. As a result, if the market price of polysilicon increases significantly in the future, our silicon wafers cost will still increase as a result. To the extent we are not able to pass these costs on to our customers, our business, results of operations and financial condition could be materially and adversely affected. On the other hand, continued decrease in polysilicon prices may also result in adjustment to the valuation of our raw material inventory for the difference between the carry cost of polysilicon inventory and market value, which could have an adverse effect on our results of operations.

We may experience gross, operating and net loss as a result of change in industry condition, increase in raw material costs and decline in the price of solar cells.

We have in the past experienced gross, operating and net loss due to change of industry condition, whether as a result of global economic downturn, change in government subsidies and economic incentives or other factors, the decline in the price of solar cells or modules and increase in wafer costs. In 2012, we recognized a gross loss, an operating loss and a net loss of NT\$3,249.7 million, NT\$4,204.9 million and NT\$4,201.3 million, respectively. We may in the future experience operating loss and net loss again, or potentially experience gross loss, if there are any future adverse changes in industry condition or if the price of solar cells or modules continues to decrease.

We continue to rely on a limited number of third-party suppliers for our silicon wafer requirements. Any difficulty in sourcing an adequate supply of such materials could prevent us from timely delivering our products to our customers, which could result in sales and installation delays, cancellations, damages and loss of market share.

We purchase silicon wafers and polysilicon from a limited number of suppliers. We generally source silicon wafers by entering into supply contracts with terms of three to ten years with suppliers, purchasing polysilicon and entering into tolling arrangements with silicon wafers suppliers, purchasing from customers under OEM arrangements, and from time to time, through spot market purchases. Our top five suppliers of silicon wafers and polysilicon accounted for 55.0%, 65.0% and 74.0% of our total silicon wafers and polysilicon procured in 2012, 2013 and the three months ended March 31, 2014.

If we fail to develop or maintain our relationships with our suppliers or to continue to diversify our sources of silicon wafers supply, we may be unable to manufacture our products with quality silicon wafers or our products may only be available at a higher cost or after a long delay, which would prevent us from timely delivering our products to our customers. As a result, we may experience order cancellations and loss of market share. The ability of our silicon wafer suppliers to supply their contractually agreed amounts of wafers to us depends on the ability of their raw material suppliers to provide to them sufficient amounts of polysilicon. From 2003 until 2008, the solar industry experienced a shortage in polysilicon. Although such shortage has subsequently eased, shortages of polysilicon may occur again in the future, which could adversely affect our wafer suppliers' ability to produce silicon wafers and satisfy their contractual obligations to us. In addition, as we continue to grow our business, we cannot assure you that we will be able to secure sufficient wafer supplies in the future from our existing or other suppliers in order to operate our manufacturing facilities at their full capacity.

Our future success depends on our ability to increase our manufacturing capacity, output and sales. Our ability to achieve our expansion goals is subject to a number of risks and uncertainties.

Our future success depends on our ability to continue to increase our manufacturing capacity and output. Our installed annual manufacturing capacity reached 2.2GW in solar cells and 240MW in solar modules as of March 31, 2014 and we plan to further expand such capacity to 3.0GW in solar cells by the end of 2015 and 480MW in solar modules by the end of 2014. Our ability to establish or successfully operate our additional manufacturing capacity and increase output is subject to significant risks and uncertainties, including:

- our ability to expand and to operate new manufacturing facilities;
- our ability to secure adequate supplies of silicon wafers;
- delays and cost overruns associated with the build-out of any additional facilities due to various factors, many of which may be beyond our control, such as delays in government approvals, problems with equipment suppliers or raw material suppliers and equipment malfunctions and breakdowns;
- diversion of significant management attention and other resources;
- our ability to secure additional capital needed; and
- failure to execute our expansion plan effectively.

If we are unable to establish or successfully operate additional manufacturing capacity or increase our manufacturing output, we may be unable to expand our business as planned. If we are unable to carry out our planned expansions, we may not be able to remain competitive in the marketplace and meet customer demand and may be subject to penalties if we are late in delivering products, which could result in lower profitability and a loss in market share. Moreover, we cannot assure you that if we do increase our manufacturing capacity and output we will be able to generate sufficient customer demand for our products to support our increased production levels. In addition, to manage the potential growth of our operations, we will be required to improve our operational and financial systems, procedures and controls, and expand, train and manage our growing employee base. Furthermore, our management will be required to initiate, maintain and expand our relationships with new and existing customers, suppliers and other third parties. Such relationships may not achieve their intended results. We cannot assure you that we are able to improve our operations, personnel, systems, internal procedures and controls to adequately support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond effectively to competitive pressures.

Our limited operating history in a newly developed market makes it difficult to evaluate our future prospects and results of operations.

We have only been in existence since 2005 and commenced our commercial operations in December 2006. We anticipate our business to continue to expand significantly to address the growing demand for our products and to introduce new products to satisfy existing and expected future market demand. Our future success will require us to scale up our manufacturing capacity beyond our existing capacity and further expand our customer base. We also must, among other things, continue to respond to competitive developments, attract, retain and motivate qualified personnel, implement and successfully execute expansion plans and improve our technologies. We cannot assure you that we will be successful in such undertakings. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

Although we have experienced revenue growth in recent periods, we cannot assure you that our revenue will continue to increase or continue at its current level. Our limited operating history makes the prediction of future results of operations difficult, and therefore, past revenue and profits growth experienced by us should not be taken as indicative of the rate of revenue and profits growth, if any, that can be expected in the future. We believe that period to period comparisons of our operating results may not be meaningful and that the results for any period should not be relied upon as an indication of future performance. You should consider our business and prospects, in light of the risks, uncertainties, expenses and challenges that we will face as we seek to develop and manufacture new products in a rapidly growing market.

A large portion of our sales is dependent on a limited number of customers and our lack of long-term customer contracts may cause significant fluctuations or declines in our revenues.

We currently sell a significant portion of our products to a limited number of customers. In 2012 and 2013 and the three months ended March 31, 2014, net sales to our top five customers accounted for 44.5%, 49.3% and 56.1%, respectively, of our total net sales. Customers individually accounting for 10% or more of our total net sales accounted for approximately 23.6%, 24.7% and 39.4% of our total net sales in 2012 and 2013 and the three months ended March 31, 2014, respectively. Net sales to our largest customer accounted for approximately 12.2%, 14.7% and 18.4% of our total net sales in 2012 and 2013 and the three months ended March 31, 2014, respectively. We typically enter into one-year framework sales agreements with our customers, with monthly firm orders stipulating prices and quantities. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our net sales:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- selection by one or more of our significant customers of products competitive with ours;
- failure to renew sales contracts with one or more of our significant customers;
- loss of one or more of our significant customers due to disputes, dissatisfaction with our products, failure to renegotiate favorable terms with us or otherwise, and our failure to attract additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

We are exposed to the credit risk of these customers, some of which are new customers with whom we have not historically had extensive business dealings. The failure of any of these significant customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

We obtain certain manufacturing equipment from a limited number of suppliers and if such equipment is damaged or otherwise unavailable, our manufacturing capacity will decrease, our ability to deliver products on time will suffer, which in turn could result in order cancellations and loss of revenue.

Some of our equipment used in the manufacture of our products has been developed and made specifically for us, which may not be readily available from alternative vendors and would be difficult to repair or replace if it were to become damaged or stopped working. In addition, we obtain some equipment from a limited number of suppliers. If any of these suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of our manufacturing equipment at a time when we are manufacturing commercial quantities of our products, our business would suffer. In addition, a supplier's failure to supply our ordered equipment in a timely manner, with adequate quality and the required specification and on terms acceptable to us, could delay the capacity expansion of our manufacturing facilities and otherwise disrupt our manufacturing schedule or increase our costs of production. Furthermore, if any of our equipment became obsolete or if such equipment are under utilized, we may need to record write-down as to the cost of such equipment, which will adversely affect our results of operations.

If we do not achieve satisfactory yields or quality in our production of solar cells or modules, our sales could decrease and our relationships with customers and our reputation may be harmed.

The manufacture of our products is a highly complex process. Minor deviations in the manufacturing process can cause substantial decreases in yields, affect the quality of the products and in some cases, cause production to be suspended or yield products unfit for commercial sale. This often occurs during the production of new products or the installation and start-up of new process technologies or equipment. As we expand our manufacturing capacity, we may experience lower yields and conversion efficiencies initially as is typical with the initial operation of any new equipment or process. We also expect to experience lower yields initially if we modify our manufacturing processes by utilizing thinner wafers. If we do not achieve satisfactory yields or quality, our product costs could increase, our sales could decrease and our relationships with customers and our reputation could be harmed, any of which could have a material adverse effect on our business and results of operations.

Our failure to further refine our technology and manufacturing processes and develop and introduce new solar power products could render our products uncompetitive or obsolete, and reduce our sales and market share.

The solar power industry is rapidly evolving and becoming more competitive. We will need to invest significant financial resources in research and development to keep pace with technological advances in the solar power industry and to effectively compete in the future. However, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research results. A variety of competing technologies that other companies may develop could prove to be more cost-effective and have better performance than solar power products that we develop. Therefore, our development efforts may be rendered obsolete by the technological advances of others. Breakthroughs in photovoltaic technologies that do not use crystalline silicon could mean that companies such as us that rely entirely on crystalline silicon would encounter a sudden, sharp drop in sales. Our failure to further refine our technology and develop and introduce new solar power products or delay in reacting to the technological changes could render our products uncompetitive or obsolete, and result in a decline in our market share as well as our revenues and profits.

In addition, any new development or adjustment in the manufacturing processes may affect our ability to maintain our competitive position. For example, we are currently more focused on production of multicrystalline solar cells because of customer demand. If there is an increase in customer demand for monocrystalline solar cell in the future, we believe that we will be able to increase our manufacturing capacity for monocrystalline solar cells by making minor adjustments in our manufacturing processes. However, we cannot assure you that we can produce solar cells from monocrystalline silicon wafers on an increased scale and sell them at competitive prices. Any failure to refine our manufacturing processes to produce new products or sell them at competitive prices may result in a loss of our market share and revenue, which could materially and adversely affect our business, financial condition and results of operations.

Our business depends substantially on the continuing efforts of our executive officers and qualified technical personnel, and our business may be severely disrupted if we lose their services.

We rely heavily on the continued services of our executive officers, including Dr. Kun-Si Lin, our Chairman and Chief Strategic Officer, Dr. Sam Chum-Sam Hong, our Chief Executive Officer, Mr. Andy Wei-Jiun Shen, our President and Chief Operating Officer, Dr. Alex Jyh-Chung Wen, our Senior Vice President of Wafer Business, Mr. Marco Hwei-Fong Hu, our Senior Vice President of Supply Chain Management, Albert Jen-Yue Wang, our Senior Vice President of Operations and Thomas Jacheng Hsu, our Senior Vice President and Chief Financial Officer. We do not maintain life insurance on any of our executive officers. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some or all of our customers and our trade secrets. We believe our future success will depend upon our ability to retain these key employees and our ability to attract and retain other skilled managerial, engineering and sales and marketing personnel. Although all of our employees, including our executive officers, management and other personnel, have signed employment agreements and intellectual property and confidentiality undertakings that contain non-competition provisions, confidentiality provisions and provisions assigning to us the rights to all intellectual properties and confidential information developed by such persons during and in connection with their employment with us or by utilizing our intellectual properties, equipment and resources, we cannot assure you that such provisions will be effective in fully protecting our confidential or proprietary information or intellectual property.

Our future success also depends, to a significant extent, on our ability to attract, train and retain qualified technical personnel, including manufacturing personnel, particularly those with expertise in the solar power industry and thin-film technology. There is substantial competition for qualified technical personnel, including manufacturing personnel, and we might not be able to attract or retain such qualified personnel. If we are unable to do so, our business may be materially and adversely affected.

We face risks associated with the marketing, distribution and sale of our solar power products internationally; these risks could impair our ability to expand our business abroad if we are unable to effectively manage these risks.

In 2012 and 2013 and the three months ended March 31, 2014, we sold approximately 83.8%, 76.8% and 80.3%, respectively, of our products to customers outside of Taiwan. We intend to expand our sales internationally, particularly to customers located in Asia (excluding Japan), Japan, North America and Europe. The marketing, distribution and sale of our solar power products in the international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty in engaging and retaining distributors who are knowledgeable about, and can function effectively in, overseas markets;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial and legal requirements in the overseas markets where we offer our products;
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries; and
- the demand for solar power products in overseas markets as influenced by the worldwide credit crisis and its effects.

If we are unable to effectively manage these risks, we may not be able to successfully expand our business abroad.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely against us, could cause us to lose significant rights and pay significant damages.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to solar wafer and thin-film technology patents involve complex scientific, legal and factual questions and analyses and, therefore, may be highly uncertain. Although we are not currently aware of any parties pursuing or intending to pursue infringement or misappropriation claims against us, we cannot assure you that we will not be subject to such claims in the future. Also, because patent applications in many jurisdictions are kept confidential for 18 months before they are published, we may be unaware of other persons' pending patent applications that relate to our products or processes. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. In addition, there is a risk that some of our confidential information could be compromised by disclosure during intellectual property litigation. Furthermore, there could be public announcements throughout the course of intellectual property litigation or proceedings as to the results of hearings, motions or other interim proceedings or developments in the litigation, any of which could materially harm our reputation. Protracted litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution of such litigation. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly and may not be resolved in our favor.

We seek to protect our proprietary manufacturing processes, documentation and other written materials primarily through intellectual property laws and contractual restrictions. As of March 31, 2014, we hold 66 patents, including 35 patents in Taiwan, 19 in the PRC and eight in Japan. We also have 112 patent applications pending in various countries, including Taiwan, the PRC, the United States, Japan and European Union. We also rely on a combination of trade secrets and confidentiality agreements to protect our proprietary rights and maintain our technical advantages. We will only be able to protect our technologies, processes and products from unauthorized use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that our applications do not adequately describe, enable or otherwise provide coverage for our technologies, processes or products, we would not be able to exclude others from developing or commercializing these technologies, processes and products. We also require all of our employees, including executive officers, management and other personnel, to execute employment agreements and intellectual properties and confidentiality undertakings, which contain non-competition provisions, confidentiality provisions and provisions setting forth that we own the rights to all intellectual properties and confidential information developed by such persons during and in connection with their employment with us or by utilizing our intellectual properties, equipment and resources. The steps taken by us to protect our proprietary information may not be adequate to prevent misappropriation of our technologies. In addition, our proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting it; and
- policing unauthorized use of our intellectual property may be difficult, and we may be unable to determine the extent of any unauthorized use.

Any inability to adequately protect our proprietary rights could harm our ability to compete, to generate revenue and to grow our business.

Major litigation or legal procedures may affect our business and results of operations.

The cost of pursuing and defending any litigation and legal proceeding in which we are involved may be substantial, and may divert our management from the effective operation of our business. In 2012 and 2013 and the three months ended March 31, 2014, our costs for legal proceedings were approximately NT\$8.2 million, NT\$28.6 million (US\$0.9 million) and NT\$9.2 million (US\$0.3 million), respectively. In addition, if we are unsuccessful in defending any legal proceeding, or are unsuccessful in settling any legal proceeding on commercially reasonable terms, we may be liable for amounts that may have a material adverse effect on our business and results of operations. For more details, see “Business — Legal Proceedings” of this Offering Circular.

There are risks associated with the criminal charges brought against our chief financial officer.

On September 26, 2011, our chief financial officer, Thomas Jacheng Hsu, was indicted by the New Taipei District Court Prosecutors Office (formerly known as Banciao District Court Prosecutors Office) as a co-defendant in a criminal proceeding relating to a derivative transaction of his former employer where Mr. Hsu served as chief financial officer from April 2009 through May 2010. Mr. Hsu was accused of violating the ROC Business Entity Accounting Act and ROC Securities and Exchange Act. Such criminal proceeding is currently before the Taiwan Taipei District Court and the Taiwan Taipei District Court is expected to render the final judgment before the end of 2014. The defendants are entitled to file an appeal against such final judgment with the Taiwan High Court, as well as against the final judgment of Taiwan High Court with the Supreme Court. If the final and binding judgment under the ROC judicial system finds that Mr. Hsu is in violations of the charges against him, Mr. Hsu may face a sentence that ranges from two months to ten years and he would also be discharged from his position as chief financial officer of our company.

Although we are not a party to the criminal proceeding against Mr. Hsu and do not believe this proceeding is expected to result in any material and adverse effect on this offering, our company, our financial condition or our results of operations, we cannot assure you that it would not inadvertently disparage our company and, in turn, adversely affect our business operations. In addition, such criminal proceeding and any follow-up proceeding in the future may divert Mr. Hsu’s attention from the affairs of our company, which may hinder our business operations and growth.

Problems with product quality or product performance in our solar cells or modules could affect our reputation and result in a decrease in revenue, unexpected expenses and loss of market share.

While we employ quality assurance procedures during the manufacturing process to identify and resolve quality issues like all commercial products and although we have conducted product reliability tests to assure product reliability of our solar cells and modules over their intended lifetime, our solar cells and modules may nonetheless contain defects that are not detected until after they are shipped or installed. These defects could cause us to incur significant re-engineering costs, lead to increased returns of our products and potentially result in disputes with our customers through litigation, arbitration or other means and affect our customer relations and business reputation. Even if there were only a perception that our solar cells contain errors or defects, our credibility and the market acceptance and sales of our solar power products may nonetheless be harmed. Because our products have only been in use for a relatively short period of time, our assumptions regarding the durability and reliability of our products may not be accurate. Furthermore, widespread product failures will damage our reputation and customer relationships and may cause our sales to decline, which in turn could have a material adverse effect on our financial condition and results of operations.

We may not continue to be successful in developing and maintaining a cost-effective solar cell manufacturing capability.

We primarily engage in the manufacturing of solar cells and modules and our ability to manufacture solar cells under a cost-effective structure is an important factor to our business. In 2012 and 2013 and the three months ended March 31, 2014, we incurred cost of sales of NT\$15,490.7 million, NT\$18,374.4 million (US\$603.4 million) and NT\$6,486.3 million (US\$213.0 million), respectively. We intend to expand our annual solar cell production capacity, continue to provide premium quality solar cell at competitive pricing, maintain close relationships with our strategic suppliers in order to secure raw materials at competitive prices and continue to invest in our research and development capabilities, all with an effort to retain and enhance our cost competitiveness. However, we cannot assure you that such efforts will be successful, or that other factors beyond our control, such as a sudden industry decrease in the average selling price of solar cells, will enable us to maintain and strengthen our cost-effective manufacturing structure.

The solar industry faces competition from other types of renewable and non-renewable power industries.

The solar industry faces competition from other renewable energy companies and non-renewable power industries, including nuclear energy and fossil fuels such as coal, petroleum and natural gas. Technological innovations in these other forms of energy may reduce their costs or increase their safety. Large-scale new deposits of fossil fuel may be discovered, which could reduce their costs. Local governments may decide to strengthen their support for other renewable energy sources, such as wind, hydro, biomass, geothermal and ocean power, and reduce their support for the solar industry. The inability to compete successfully against producers of other forms of power or otherwise enter into power purchase agreements favorable to us would negatively affect our ability to develop and finance our projects and negatively impact our revenue.

We require a significant amount of cash to fund our operations and to meet future capital requirements. If we cannot obtain additional capital when we need it, our growth prospects and future profitability may be materially and adversely affected.

We typically require a significant amount of cash to fund our operations, such as for the expansion of our manufacturing capacity and for deposits and prepayments to suppliers to secure our silicon wafer requirements. We also require cash generally to meet future capital requirements, which are difficult to plan in the rapidly changing solar power industry. The global financial crisis and disruptions in the credit market in the past had affected our financing ability and made it more difficult for us to secure credit lines or raise capital to fund our cash needs, and we cannot assure you that there won't be any crisis of a similar nature in the future and we may not be able to obtain desired financing in a timely manner, on favorable terms or at all. In particular, we will need capital to fund the expansion of our facilities in order to remain competitive. To date, we have financed our operations primarily through cash flows from our operations, equity offerings, equity contributions by our shareholders, short-term and long-term bank loans and our convertible bond offering. We believe that our current cash and cash equivalents, anticipated cash flow from operations and net proceeds from this offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for at least the next six months. We may, however, require additional cash due to changing business conditions or other future developments and expansion plans, including any investments or acquisitions we may decide to pursue. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by manufacturers of solar power products; and
- economic, political and other conditions in Taiwan and elsewhere.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and future profitability may decrease materially.

Our project development and construction activities may not be successful and may face difficulties such as obtaining the relevant permits, rights or financing or may be delayed or cancelled, resulting in a material adverse effect on our revenue and profitability.

The development and construction of solar power systems involves known and unknown risks. We may be required to invest significant amounts of capital for land and interconnection rights, preliminary engineering, permitting, legal and other expenses before we can determine whether a project is feasible. Success in developing a particular project is contingent upon, among other things:

- securing land rights and related permits, including satisfactory environmental assessments;
- receipt of required land use and construction permits and approvals;
- receipt of rights to interconnect to the electric grid;
- availability of transmission capacity availability, potential upgrade costs to the transmission grid and other system constraints;
- payment of interconnection and other deposits (some of which are non-refundable); negotiation of satisfactory engineering, procurement, and construction, or engineering procurement construction, or “EPC”, agreements; and
- obtaining construction financing, including debt, equity and tax credits.

If we are unable to complete the development of a solar power project or we fail to meet any agreed upon system-level capacity or energy output guarantees or warranties or other contract terms, or our projects cause grid interference or other damage, the EPC or other agreements related to the project may be terminated and/or we may be subject to significant damages, penalties and other obligations relating to the project, including obligations to repair, replace or supplement materials for the project.

We may enter into fixed-price EPC agreements under which we act as the general contractor for our customers in connection with the installation of their solar power systems. All essential costs are estimated at the time of entering into the EPC agreement for a particular project, and these costs are reflected in the overall fixed price that we charge our customers for the project. These cost estimates are preliminary and may or may not be covered by contracts between us and the subcontractors, suppliers and other parties involved in the project. In addition, we require qualified, licensed subcontractors to install most of our systems. Shortages of skilled labor could significantly delay a project or otherwise increase our costs. Should miscalculations in planning a project occur, including those due to unexpected increases in commodity prices or labor costs, or delays in execution occur and we are unable to increase the EPC sales price commensurately, we may not achieve our expected margins or we may be required to record a loss in the relevant fiscal period. In addition, as solar power projects are generally financed through long-term borrowings, increased activity in the development of solar power projects will subject us to increased interest rate risk associated with such increased borrowings. In addition, the performance and output of solar systems is highly dependent on the radiation of the sun and the project development and construction activities are vulnerable to severe changes in weather conditions. Changes in radiation of the sun and weather conditions or other changes that are beyond our control may significantly and adversely affect our project development and construction activities.

Developing solar power projects exposes us to different risks than producing solar cells and modules.

In recent years, we plan to gradually increase the focus on the downstream market of the solar industry, which includes developing solar power system projects. These projects can take many months or years to complete and may be delayed for reasons beyond our control. These projects often require us to make significant upfront capital investment for, among other things, land rights and permits in advance of commencing construction, and revenue from these projects may not be recognized for several additional

months following the signing of the relevant contracts. Any inability to enter into or subsequent changes to sales contracts with customers after making such upfront payments could adversely affect our business and results of operations. Furthermore, we may become constrained in our ability to simultaneously fund our other business operations and these system investments through our long project development cycles.

In contrast to manufacturing solar cells and modules, the development of solar power system projects involves a smaller number of higher-amount payments. The smaller number of payments exposes us to risk in the event the customers are unable to pay or the project is delayed or cancelled. Developing solar power system projects also requires a great deal of management attention to negotiate the terms of our engagement and monitor the progress of the solar power project which may divert management's attention from existing businesses.

Our revenue and liquidity may be adversely affected to the extent the project sale market weakens or we are not able to successfully complete the customer acceptance testing due to technical difficulties, equipment failure, or adverse weather conditions, and we are unable to sell our solar power projects at prices and on terms and timing that are acceptable to us.

Seasonal variations in demand linked to construction cycles and weather conditions may influence our results of operations.

The construction of solar power system projects is subject to seasonal variations in demand linked to construction cycles and weather conditions. Demand tends to decrease during the winter months in our key markets, such as the United States, China and Japan, due to adverse weather conditions that can complicate the installation of solar power systems and cause a decrease in demand for solar cells and modules. Seasonal changes can also significantly impact the project development and construction schedules of our solar power projects. Seasonal variations could adversely affect our results of operations and make them more volatile and unpredictable.

We may be subject to unexpected solar module warranty expenses since we cannot test our products for the duration of our standard warranty periods.

We do not offer warranty for any of our solar cells. We typically sold our standard solar modules with a 10-year guarantee for defects in materials and workmanship and a 10-year and 20- to 25-year warranty against power output declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery.

We believe our warranty periods are consistent with industry practice. Due to the long warranty period, we bear the risk of extensive warranty claims long after we have shipped our products and recognized revenue. Any increase in the defect rate of our products would require us to increase our warranty reserves and would have a corresponding negative impact on our operating results. Although we conduct quality testing and inspection of our solar cell and module products, our solar cell and module products have not been and cannot be tested in an environment simulating the up-to-10-year warranty periods. In particular, unknown issues may surface after extended use. These issues could potentially affect our market reputation and adversely affect our revenues, giving rise to potential warranty claims by our customers. As a result, we may be subject to unexpected warranty costs and associated harm to our financial results as long as 10 years after the sale of our products.

Furthermore, as we are currently expanding our module business, our warranty expenses may increase significantly going forward due to such expansion. We currently have not entered into any insurance agreements regarding such potential warrant expenses. Therefore, potential warranty claims may materially and adversely affect our business and results of operation.

Non-compliance of and restrictions set forth by our loan agreements could result in significant liquidity problems and have a material adverse effect on our business and operations.

In August 2010, we entered into a syndicated loan agreement, or the 2010 Syndicated Loan Agreement, and in May 2013, we assumed another syndicated loan agreement, which was entered into by DelSolar in February 2009, or the 2009 Syndicated Loan Agreement, as a result of our acquisition of DelSolar. The two syndicated loan agreements contained various financial and other covenants which we are required to comply with, such as maintaining certain current ratio, leverage ratio, interest coverage ratio and tangible net worth. These ratios are measured based on our annual and semi-annual financial results and are tested semi-annually. We will be subject to certain interest penalties for certain non-compliance of the aforementioned covenants.

We have been in non-compliance with the financial ratios in our two syndicated loan agreements in the past. In 2011 and for the six months ended June 30, 2012, we did not meet the covenant for interest coverage ratio under the 2010 Syndicated Loan Agreement, but the penalties of the non-compliance were subsequently waived by the lenders. In 2012 and for the six months ended June 30, 2013, we did not meet the covenants for the interest coverage ratio and the current ratio, respectively, under the 2010 Syndicated Loan Agreement. We failed to obtain waivers from our lenders in these cases and were therefore subject to penalties of NT\$4.4 million and NT\$3.8 million, respectively, although such non-compliance of the financial covenants did not constitute an event of default under the 2010 Syndicated Loan Agreement. For the six months ended June 30, 2013, we did not meet the covenant for debt ratio under the 2009 Syndicated Loan Agreement. Penalties for such non-compliance were subsequently waived by the lenders. Under the 2009 Syndicated Loan Agreement, such non-compliance of financial covenants might be deemed as an event of default in the lenders' sole discretion, but the lenders did not at the time deem the non-compliance as an event of default. In 2013, we met all financial covenants under both the 2010 Syndicated Loan Agreement and 2009 Syndicated Loan Agreement.

Under the 2010 Syndicated Loan Agreement, we will continue to be tested semi-annually and annually based on our non-consolidated financial results, and under the 2009 Syndicated Loan Agreement, we will continue to be tested semi-annually and annually based on our consolidated financial results. If our earnings and other financial indicators are weak due to the market downturn, or if we continue to have high levels of bank borrowings, we may not be able to meet the financial ratios in our loan agreements, including among others, the interest coverage ratio. We also may not be able to obtain waivers from our lenders for any possible non-compliance of covenants in any of our loan agreements. Furthermore, we may also be unable to meet our interest payment obligations when due. As a result, our lenders could impose additional interest penalties, accelerate the amounts due under the loans, or refuse to provide us with any additional funding. Both of our syndicated loans also contain cross-default clauses, which could enable other lenders to accelerate the payments required to be made under the facilities when there is a default in other loan agreements. This would significantly and adversely impact our liquidity and would materially adversely affect our business and financial condition. In addition, both of our syndicated loan agreements are secured by our property, plant and equipment, and the acceleration of any amount due under our loans could result in foreclosure on the security interests held by the lenders over these assets.

Furthermore, certain restrictions set forth by the loan agreements may limit our ability to acquire capital injection or the flexibility to utilize our existing assets. For example, we are prohibited from creating encumbrance over our assets in certain circumstances without the prior written consent from the majority lenders under the 2009 Syndicated Loan Agreement. Although we have obtained the majority lenders' approval to pledge certain assets to secure our obligations under the irrevocable standby letter of credit for the Bonds, however, this restriction or restrictions of a similar nature may materially affect our flexibility to expand our business in the future and therefore cause an adverse effect to our financial performance and results of operations.

We publish monthly sales information as part of our ongoing reporting obligations and such information is subject to change due to normal quarter-end closing procedures and excludes expenses and other information necessary to be indicative of actual financial results.

We post monthly sales information on the Market Observation Post System (<http://newmops.twse.com.tw>) as part of our on-going reporting obligations as a company listed on the TWSE. Such information is preliminary, unconsolidated and subject to change, for example, due to adjustments upon the completion of our normal quarter-end closing processes. Actual sales could differ materially from such preliminary information. This information contained on the Market Observation Post System does not form part of this Offering Circular. Furthermore, this preliminary sales information does not include consolidated results, cost of sales, operating expenses or other expenses or potential non-operating losses and therefore are not indicative of our actual financial results for such months, any current quarter or future periods. Consequently, you should not place undue reliance on such information.

Our business is exposed to the risks of currency exchange rate fluctuations.

Historically, a substantial portion of our net sales has been denominated in U.S. dollars, with the remaining portion in NT dollars, Euros and Japanese Yen. The majority of our costs of goods sold have been denominated in U.S. dollars and NT dollars, with the remaining portion in Euros and Japanese Yen. Our financial statements are expressed in NT dollars; accordingly a portion of our consolidated net sales, cost of sales and operating expenses are exposed to fluctuations between the NT dollars and other foreign currencies. We recorded consolidated net foreign exchange gains of NT\$6.8 million, NT\$37.9 million (US\$1.2 million) and NT\$70.6 million (US\$2.3 million) in 2012 and 2013 and the three months ended March 31, 2014, respectively, reflecting the fluctuation of the foreign currencies in relation to the NT dollar. Although we attempt to mitigate the effects of exchange rate fluctuations primarily through exchange rate hedging and our policy of matching earning and spending in the same currency, fluctuations in exchange rates may have an adverse impact on our future gross and operating margins and results of operations.

We might from time to time issue financial forecast and if we are unable to meet such forecast, our share prices may be negatively affected.

We might from time to time issue financial forecast based on current estimates of our business and prospects. We will amend our financial forecast if needed but we may not be able to meet our forecast due to various risks and factors, some of which are beyond our control. If we cannot meet any of our financial forecasts, we may disappoint our investors and our share price may be significantly adversely affected, which will affect our business and operations.

If we fail to comply with environmental regulations, we may be subject to potential monetary damages and fines and adverse publicity.

We use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. We are subject to a variety of ROC environmental regulations relating to the construction of our new facilities, our existing operations and to the use, storage, discharge and disposal of chemicals and waste used in our manufacturing processes and research and development activities. Any failure by us to comply with present and future regulations or obtain the necessary certificates and permits could subject us to future fines and liabilities or other government sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations will increase. Although we have implemented ISO 14001 environmental management system that was certified by TÜV Rheinland Group and received OHSAS 18001:2007 certification for our occupational health and safety management system, we cannot assure you that there will not be any failure by us to control the use of or to restrict adequately the discharge of hazardous substances, and such failure could subject us to monetary fines and liabilities or other government sanctions. We currently do not carry any insurance for potential liabilities relating to the release of hazardous materials. If we are held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our financial condition and results of operations.

Product liability claims against us could result in adverse publicity and we may incur significant losses resulting from operating hazards or product liability claims as we only have limited insurance coverage.

As with other solar power product manufacturers, our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruptions. We currently carry limited third-party liability insurance, property damage insurance, and business interruption insurance against claims relating to personal injury and property or environmental damage arising from accidents on our properties or relating to our operations. However, we do not carry any contingent business interruption insurance. Any occurrence of these or other accidents in our operation could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of the solar power products we sell results in injury. Although our solar cell products do not generate electricity without being incorporated into solar modules or other solar power devices, it is possible that users could be injured by solar modules or other devices incorporating our solar cells, whether by product malfunctions, defects, improper installation or other causes. Although we do have product liability insurance, such product liability insurance may be prohibitively expensive and may not be sufficient to cover our potential liabilities. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Even if a product liability claim does not result in a judgment in favor of a claimant, we may still incur substantial legal expenses defending against such a claim. We have not made any reserves for potential product liability claims. Any potential product liability claims may also result in adverse publicity that may negatively affect our business.

The operation of manufacturing facilities involves many risks and hazards, including the breakdown, failure or substandard performance of equipment, delays in delivery of equipment or improper installation or operation of equipment, difficulties in upgrading or expanding existing facilities in changing manufacturing line technologies, capacity constraints, labor disturbances, fire, natural disasters such as earthquakes or typhoons, environmental hazards and industrial accidents. The occurrence of any such or other problems could materially and adversely affect our manufacturing plants and cause delivery delays and reduced output, which would have a material and adverse effect on our business and results of operations.

We may undertake investments, acquisitions or strategic alliances to expand our business that may pose risks to our business, and we may not realize the anticipated benefits of these investments.

As part of our growth and product diversification strategy, we plan to expand upstream and downstream to the sale and manufacture of solar wafers and solar modules. The success of this investment depends, in part, on our ability to capture anticipated synergies, including cost savings, and growth opportunities, which may be impeded, delayed or reduced as a result of numerous factors, some of which are outside our control. Moreover, as we develop our solar wafer and module business, we may jeopardize relationships with our existing or potential customers. We may encounter these and other unforeseen difficulties in the integration of this new business line, which may cause us to fail to realize anticipated synergies or expected strategic objectives.

In addition, we may pursue opportunities to acquire or invest in other technologies, businesses or assets that would complement our current business, expand the breadth of markets we can address or enhance our technical capabilities. For example, we acquired DelSolar, a leading solar cell and module manufacturing company based in Taiwan, in May 2013 to strengthen our competitiveness in solar cell manufacturing and further expand our solar module manufacturing capacity. These types of transactions may require significant attention from our management, and the diversion of our management's attention could have a material adverse effect on our ability to manage our existing business. We may also

experience difficulties integrating acquisitions and investments into our existing business and operations. Furthermore, we may not be able to successfully make such strategic acquisitions and investments or to establish strategic alliances with third parties that will prove to be effective or beneficial for our business. Any difficulty we face in this regard could have a material adverse effect on our market penetration, our results of operations and our profitability. Moreover, strategic acquisitions, investments and alliances may be expensive to implement and subject us to the risk of non-performance by a counterparty or potential write-down of acquired assets, which may in turn materially and adversely affect our business and results of operations. In addition, changes in government policies, both domestically and internationally, that are not favorable to the development of the solar power industry, may also have a material adverse effect on the success of our strategic acquisitions, investments and alliances.

As we are a publicly listed company in Taiwan, actions taken by third parties may result in a change in control of our company. In addition, we may also undertake certain actions that may result in a change of control of our company.

We are a publicly listed company on the TWSE. As a result, we may be subject to potential takeover or acquisition by other third parties through the purchase of our publicly traded shares, especially provided that our shareholding structure is diversified and we do not currently have a concentrated ownership structure. In addition, as the solar industry is rapidly evolving and consolidating, there may be potential merger or acquisition transactions, consolidations or share swaps that might result in a change of control of our company. A change of control may result in a change in management team, strategies or business direction, termination of agreements that contains change of control provisions, all of which may have a material and adverse effect as to the future prospects, results of operations and financial condition of any businesses.

Our production activities are and will continue to be conducted in concentrated locations. Damages to or disruptions at our production facilities would materially and adversely affect our business, financial condition and results of operations.

We currently conduct our manufacturing activities at seven facilities, including four solar cell Fabs and three solar module Fabs in Hsinchu and Tainan, Taiwan and Jiangsu, PRC. Operating hazards, natural disasters or other unanticipated catastrophic events, including power interruptions, water shortages, storms, floods, fires, explosions, earthquakes, terrorist attacks, wars, labor disputes and strikes or adverse local government regulations and actions could significantly impair our ability to produce products and operate our business. Our facilities and certain equipment located in our facilities are difficult to replace and could require substantial replacement lead-time. Catastrophic events may also destroy inventory located in our production facilities. The occurrence of such an event could result in substantial costs and diversion of resources, and our business, financial condition and results of operations may be materially and adversely affected.

We face risks related to natural disasters or other risks that are beyond our control.

We face risks related to natural disasters such as earthquakes, typhoons, floods and severe winter conditions in Taiwan and around the world, especially in locations where our customers or suppliers are based. For example, our headquarters and several of our customers and suppliers are based in area with a high degree of seismic activities, such as in Taiwan and Japan. In March 2011, Japan, where we derive 26.3%, 30.3% and 14.4% of our net sales in 2012 and 2013 and the three months ended March 31, 2014, respectively, sustained a severe earthquake that devastated much of the affected areas and causing significant property damage, loss of life and widespread injuries. As a result, we may experience a decrease in demand for our products in the short term from customers based in Japan. There were also severe natural disasters in Taiwan, China and other parts of the world in recent years, including major earthquakes in Sichuan Province in China in 2008, severe winter weather in the southern part of China in early 2008 and severe damages from typhoon and flood in Taiwan in August 2012 and August 2013. Besides natural disasters, occurrence of other adverse events, such as terrorism, strikes, riots or economic downturns, within the countries we operate, could also adversely affect our business and results of operation. Although our operations have not been adversely affected by natural disasters or other adverse

events to date, natural disasters or other adverse events may cause damage to our manufacturing facilities and may potentially and adversely affect our operations and the operations of our customers and suppliers, which may in turn materially and adversely affect our business and prospects.

We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS, and swine flu.

Our business could be adversely affected by the effects of avian flu, SARS, swine flu or another epidemic or outbreak. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, any recurrence of SARS, a highly contagious form of atypical pneumonia, would have similar adverse effects. These outbreaks of contagious diseases, and other adverse public health developments in Taiwan or China, would have a material adverse effect on our business operations. These could include restrictions on our ability to travel or to ship our products outside of Taiwan or China, as well as cause temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations.

Risks Relating to Taiwan

Disruptions in the ROC's political and economic environment could seriously harm our business.

We are incorporated in Taiwan where our headquarters and a significant portion of our assets and production facilities are located. Accordingly, our financial condition, results of operations and the market price of the Shares and the Bonds may be affected by changes outside of our control in ROC governmental policies, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC.

In addition, the ROC has a unique international political status. Since 1949, Taiwan and the Chinese mainland have been separately governed. The PRC government regards Taiwan as a province of the PRC and does not recognize the legitimacy of the ROC. Although significant economic and cultural relations have been established during recent years between the ROC and the PRC, relations have often been strained. The government of the PRC has not renounced the use of military force to gain control over Taiwan, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by Taiwan or the refusal by the ROC to accept the PRC's stated "one China" policy. Furthermore, the PRC government passed the Anti-Secession Law in March 2005, which authorizes non-peaceful means and other necessary measures should Taiwan move to gain independence from the PRC. Past developments in relations between the ROC and the PRC have on occasion depressed the market prices of the securities of Taiwanese companies. Relations between the ROC and the PRC and other factors affecting military, political or economic conditions in Taiwan could materially adversely affect our financial condition and results of operations, as well as the market price and the liquidity of our securities.

Taiwan's economy, similar to the global economy, has faced hardship in the last few years, and continues to face challenges in the short to medium-term. As the result of the recovery from global economic downturn, Taiwan has experienced slow economic growth during the last year, and such recovery may not work long-term to fully recover the severe downturn in economic activity. Continued turbulence in the international markets and declines in global consumer spending, as well as any future slowdown of economic growth in Taiwan, may adversely affect our liquidity and financial condition.

Financial reporting requirements and accounting standards in the ROC differ from those in other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our financial statements for 2012 and 2013 and the three months ended March 31, 2013 and 2014 are prepared in accordance with the Taiwan IFRSs, which differ in certain material respects from IFRSs. See “Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs.” We have not prepared a complete reconciliation of our consolidated financial statements and related footnote disclosure between Taiwan IFRSs and IFRSs and have not quantified such differences. Accordingly, no assurance is provided that the “Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs” is complete. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the offering and our financial information. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

We may be subject to increased taxes as a result of expiration or withdrawal of ROC tax incentives.

Since 2010, the statutory income tax rate in the ROC applicable to our company has been reduced from a progressive tax rate of up to 25% to a flat tax rate of 17%. Under the ROC Statute for Upgrading Industries, which expired on May 12, 2010, we benefited from certain tax incentives, including tax credits for equipment and technology and for certain research and development and employees training expenses. Pursuant to Article 10 of the Industry Innovation Act which became effective on January 1, 2010, we are eligible to credit up to 15% of the amount of funds disbursed for investment in research and development expenses against the amount of income tax payable provided that the amount credited may not exceed 30% of the amount of income tax payable and that unused research and development tax credit may not be carried over. As Article 10 will expire on December 31, 2019, there can be no assurance that we will continue to benefit from the tax incentives for which we currently qualify.

We are incorporated in the ROC and because corporate governance under ROC law differs from that under the laws of the United States and Western European jurisdictions, our corporate governance requirements may not be as developed or of the same standard as corporate governance requirements in the United States and Western European markets.

We are incorporated under ROC law, and our corporate governance is governed by our articles of incorporation and by the applicable ROC law. ROC law does not require a public company to have a majority of independent directors on its board of directors. The ROC Securities and Exchange Act requires public companies meeting certain criteria as may be promulgated by the FSC from time to time to have two independent directors but no less than one-fifth of the total number of our directors. In addition to independent directors, the ROC Securities and Exchange Act also requires us to have two or more supervisors or to establish an audit committee in lieu of supervisors. We currently have two independent directors on our eight-member board of directors. However, our standards for determining director independence, which comply with ROC requirements for directors’ independence, may differ from the standards imposed by some other jurisdictions. Furthermore, although we have established an audit committee, such corporate governance requirements may not be as developed or of the same standard as corporate governance requirements in the United States or Western European markets. As such, holders of the Bonds or Shares may have more difficulty protecting their interest in connection with actions taken by our management or directors than they would as public shareholders of a US or Western European corporation.

Risks Relating to the PRC

We are subject to the political and economic environment in the PRC.

Currently, certain of our production facilities are located in the PRC and we may make further investments in the PRC in the future. Accordingly, our results of operations, financial condition and future prospects are subject, to a significant degree, on the political and economic environment and legal developments in the PRC. There can be no assurance that our investments in the PRC and our production operations in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and annual plans adopted by central authorities. Since 1978, the PRC government has permitted foreign investment and implemented economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial business in the PRC, including us.

The PRC government has broad discretion and authority to regulate the solar power industry in the PRC, and the government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market forces for economic reform, it continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may have a negative effect on us. For example, our business, results of operations and financial condition may be adversely affected by governmental control over capital investments or changes in tax regulations.

Uncertainties in the PRC legal system could adversely affect our business and result of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, interpretations of laws, regulations and rules are not always uniform and enforcement involves uncertainties. Despite the development of the legal system, the PRC's system of laws is not yet complete. Even where laws and regulations exist in the PRC, there may be laws and regulations at the national level or local level, which are peculiar to the PRC and not commonly seen in developed countries and may impose additional procedural or compliance requirements on those subject to such laws and regulations. Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedural Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedural Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions.

Therefore, in the case a foreign judgment is rendered by a foreign court where the country and the PRC do not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

Our activities in the PRC will be subject to administrative review and approval by various national and local agencies of the PRC government. Due to the changes occurring in the legal and regulatory structure of the PRC, we may not be able to secure the required governmental approval for our activities. In addition, local government authorities may adopt their own policies and practices. Failure to obtain the requisite governmental approval or to comply with the local government's policies or practices for any of our business activities could adversely affect our business and operating results.

We cannot predict the effects of future developments of the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws or the overturn of local governments' decisions by the central government. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management's attention.

Profits from our PRC operating subsidiary available for distribution are determined under PRC IFRS.

We derive a portion of our profits from our operating subsidiary established in the PRC. The profits available for distribution are therefore dependent on, to a significant extent, the profit available for distribution by the PRC subsidiary to us which is determined in accordance with the PRC IFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as Taiwan IFRS and IFRS. In addition, under the relevant PRC financial regulations, profit available for distribution is determined after offsetting losses in previous years and setting aside a legal capital reserve equal to 10% of the remaining profits.

Dividends we receive from our PRC subsidiary may be subject to PRC withholding tax.

The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises," to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the implementation of the EIT Law. Under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement, which became effective on January 1, 2007, dividends from our PRC subsidiary paid to our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5%, subject to the confirmation of the in-charge local tax authorities. Thus, dividends paid to our Hong Kong subsidiary by our PRC subsidiary may, subject to the confirmation of the in-charge local tax authorities, be lowered to 5% income tax if the Hong Kong subsidiary is considered as a "real operating business other than only holding function and is beneficial owner of such dividend" under the EIT Law.

Risks relating to the Bonds and the Shares

There are limitations on the Bondholders' ability to exercise conversion rights.

The Bondholders will not be able to exercise conversion rights during any Closed Period (as defined in "Description of the Bonds"). Under the current ROC law, regulations and policy, PRC persons are not permitted to convert the Bonds or to register as our shareholders unless it is a qualified domestic institutional investor (a "QDII").

Bondholders' entitlement to dividends and other rights in respect of the Company's Shares may be limited.

Unless and until a Bondholder acquires Shares upon a conversion of the Bonds, such Bondholder will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Bondholders who acquire the Shares upon the exercise of a conversion right will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the relevant Conversion Date.

Under the terms of the Bonds, we are required to procure the issue of the Shares and other relevant documentation, if any, to the order of the converting Bondholder not later than five ROC Trading Days from the relevant Conversion Date. It is the responsibility of the Bondholder, or the local agent of the Bondholder, to procure registration of the Bondholder or its designee on our shareholders' register in sufficient time prior to the beginning of any Closed Period preceding a relevant record date to participate in the relevant dividends or distribution by reference to that record date.

A Bondholders' right to vote with respect to the Shares it receives upon the conversion of the Bonds during a Closed Period will not be recognized by us until such Bondholder (or such Bondholder's designee) is registered as an owner of the Shares in our shareholders' register.

As permitted by the laws and regulations of the ROC, and pursuant to the practice generally adopted by ROC companies, if the Conversion Date falls within a Closed Period, such Bondholder (or its designee) will not be registered as an owner of the Shares in our shareholders' register until the next Business Day following the end of the Closed Period. As a result, the right of a converting Bondholder to attend a shareholders' meeting to vote with respect to the Shares it receives upon the conversion of the Bonds will not be recognized by us until such Bondholder (or its designee) is registered as owner of the Shares in our shareholders' register.

There are limitations on the ability of Bondholders to exercise conversion rights. Bondholders will not be able to exercise their conversion rights during certain Closed Periods. Furthermore, relevant ROC laws contain restrictions on PRC persons' right to convert the Bonds or to register as our shareholders. Pursuant to the Regulations Governing the Approval of Investment in Taiwan by the PRC Persons and its implementing rules, only businesses enumerated in the "positive list" may be directly invested by the PRC persons. As one of our main businesses, the manufacturing of solar cells and modules, is under the "positive list", if a PRC person intends to invest in the businesses of manufacturing solar cells, such PRC person must presents its industrial corporation strategy and applies for the approval from the ROC Ministry of Economic Affairs, or the MOEA, and such PRC person may not have any control over the invested business. Therefore, a PRC person's direct investment in our Company is prohibited without the aforementioned approval from the ROC MOEA.

Besides, under the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors (the "Mainland Investors Securities Investment Regulation"), only qualified institutional investors that have been approved by the competent authority of the securities industry of the Mainland Area (the "QDIIs") are permitted to engage in securities investment or futures trading in Taiwan.

Accordingly, only the QDIIs or other PRC investors with prior approvals from the ROC MOEA may exercise the conversion rights subject to the Mainland Investors Securities Investment Regulation or the scope of the ROC MOEA approval. Pursuant to the FSC directive dated December 27, 2010 (Ref. No.: Jing-Guan-Zheng-Zi No. 0990067043), the custodian bank for a QDII shall apply for remittance quota with the TWSE, the maximum quota available for each QDII is US\$100,000,000.

Subject to the compliance with the above regulatory requirements, only a PRC QDII or a PRC investor with ROC MOEA approval may exercise the conversion rights in accordance with relevant laws and regulations. In case any amendments are made to the aforementioned laws and regulations relating to the PRC investors' investment in Taiwan (including securities investment), relevant matters shall be handled in accordance with the then prevailing laws and regulations.

The returns of the Bondholders on the Bonds may depend on the value of the Shares.

The terms of the Bonds differ from those of ordinary debt securities because each Bond is convertible by the Bondholder into the Shares. Accordingly, the Bonds may bear particular risks related to the Shares in addition to the risks of the debt securities. It is difficult to predict whether the price of the Shares will rise or fall. Trading prices of the Shares will be influenced by our operating results, and by complex and interrelated political, economic, financial and other factors that can affect the capital

markets generally, the TWSE and the market segments of which we are a part, or any potential future offering and sale of our Shares by us. Depending on these factors, the value of the Shares may become substantially lower than it is when the Bonds are initially purchased. In addition, the value of the securities to be delivered may vary substantially between the date on which conversion rights are exercised and the date on which such securities are delivered.

Fluctuations in exchange rates could affect the value of the Bonds and the Shares independent of our operating results.

The Shares are traded in NT dollars on the TWSE. The value of the Shares will fluctuate along with the exchange rate between the NT dollar and the U.S. dollar. Additionally, such fluctuations will affect the amounts received by holders of the Shares upon (i) payment of cash dividends on the Shares, if any, paid in NT dollars, and (ii) our liquidation on sales of assets, mergers, tender offers or similar transactions denominated in NT dollars or any other foreign currency.

In addition, the Bonds are denominated in U.S. dollars, but any payment of principal, interest (if any) or premium will be linked to NT dollars as in respect any U.S. dollar-denominated amount payable in respect of the Bonds, such U.S. dollar amount will be converted into NT dollar amount using a fixed exchange rate of US\$1.00 to NT\$29.890 and then converted back to U.S. dollar amount using the applicable Prevailing Rate (as defined below in “Description of the Bonds”) at the time of conversion. Therefore, investors are subject to currency fluctuation risk between the NT dollar and the U.S. dollar. Investors are also subject to currency fluctuation risk and convertibility risk since the Shares are quoted in NT Dollar on the TWSE, on which the Shares are listed.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. We cannot predict whether an active trading market for the Bonds will develop or be sustained. If an active trading market were to develop, the Bonds could trade at prices that may be lower than the initial offering price. Whether or not the Bonds trade at lower prices depends on many factors, including:

- the market price of the Shares, prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- our financial condition, historical financial performance and future prospects.

If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could be materially and adversely affected. The Joint Bookrunners are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Bookrunners. We have received approval-in-principle from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. However, there can be no assurance that we will be able to obtain or be able to maintain such a listing or that, if listed, a trading market will develop on the exchange. We do not intend to apply for listing of the Bonds on any securities exchange other than the SGX-ST. The Bonds may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required.

Future issues, offers or sales of the Shares or any securities that are substantially similar to the Shares, including but not limited to any securities that may be convertible into, or exchangeable for the Shares may hurt the value of the Bonds.

The market price of the Bonds and the Shares could decline as a result of future issues, offers or sales of a large number of the Shares or securities convertible into or exercisable for the Shares or any securities or financial instruments whose economic value is determined, directly or indirectly, by reference to the market price of the Shares, or the perception that such issues, offers or sales could occur.

If a large number of the Shares are sold, the market price for the Bonds or the Shares could be depressed. For example, our board of directors has on March 18, 2014 approved the potential Rights Issuance. In addition, our shareholders have approved during our annual general meeting on June 11, 2014 a potential issuance of global depositary shares of up to 180,000,000 Shares. In the event we have determined to proceed with such potential Rights Issuance in the ROC or the issuance of global depositary shares, the market price for the Bonds or the Shares may be adversely affected.

Employee stock bonuses may have a diluting effect on the holdings and associated rights of the holders with respect to the Shares.

ROC companies generally pay employee bonuses (in the form of cash or stock) to their employees. Our Articles of Incorporation provide that our employees may participate in our profit distribution. Employees are entitled to receive bonus shares, cash or a combination of bonus shares and cash, based on a percentage of our income after taxation and certain reserves and deductions. See “Business — Employees,” “Management — Staff and Employee Benefits” and “Description of the Share Capital — Dividends and Distributions”. The number of Shares issuable and the amount transferred from distributable earnings for employee stock bonuses are calculated by reference to the closing price of the Shares on the business day one day before the shareholders’ meeting approving the profit distribution. Employee bonuses in the form of new Shares to employees will effectively dilute the holdings and associated rights of holders with respect to the Shares. For the years ended December 31, 2012 and 2013 and the three months ended March 31, 2014, we accrued cash bonuses of nil, NT\$69.8 million (US\$2.3 million) and NT\$53.4 million (US\$1.8 million), respectively and stock bonuses of nil, nil and nil, respectively, to our employees.

Bondholders will be required to appoint local agents in the ROC and will be subject to other requirements if they convert the Bonds and become our shareholders, which may make ownership burdensome.

When a non-ROC holder of the Bonds exercises its conversion rights and registers as our shareholder, such holder will be required to appoint an agent as a tax guarantor in the ROC. Such tax guarantor will be required to meet the qualifications set by the Ministry of Finance of the ROC Government and will act as the guarantor of such holder’s tax payment obligations. Evidence of the appointment of a tax guarantor and the approval of such appointment and tax clearance certificates or evidentiary documents issued by such agent are required as conditions to receive such holder’s profits derived from the sale of the Shares. There can be no assurance that such holder will be able to appoint and obtain approval for a tax guarantor in a timely manner.

In addition, under current ROC law, a non-ROC converting holder of the Bonds who wishes to convert any of its Bonds and to hold the Shares is required to (i) complete a registration with the TWSE, and (ii) appoint a local agent in the ROC to open a securities trading account with a local securities brokerage firm and an NT dollar bank account, remit funds, pay ROC tax, exercise shareholders’ rights and perform such other matters as may be designated by the converting holder. Further, the converting holder must appoint a local bank to act as custodian for confirmation and settlement of trades, safekeeping of securities and cash proceeds and reporting of information. Without satisfying these requirements, the converting holder would not be able to hold, sell or otherwise transfer the Shares on the TWSE.

A Bondholder or its designee requesting the conversion of its Bonds may be required to provide certain information to us, and failure to provide such information may prevent or delay the conversion.

A holder of the Bonds or its designee requesting the conversion of its Bonds may be required to provide certain information to us or the Conversion Agent (as the case may be), including the name and nationality of the person to be registered as the holder of the Shares, the number of the Shares the person is acquiring and has acquired in the past as a result of the conversion of the Bonds it holds, and supporting documents, before such conversion is effected. Under applicable ROC laws, an ROC entity is required to

report to the ROC Securities and Futures Bureau, FSC if the person to be registered as a shareholder (i) is an officer, a director or a supervisor; (ii) will hold, immediately following such conversion, more than 10% of the total number of the Shares deliverable upon conversion of the aggregate principal amount of all such Bonds at the time of issue; or (iii) is a related party of the persons mentioned above. The conversion of the Bonds may be delayed or prevented if such information is not provided.

Our public shareholders may have greater difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

Our corporate affairs are governed by our Articles of Incorporation and the laws and regulations governing ROC companies. The rights of our shareholders to bring shareholders' suits against our board of directors under ROC laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, our public shareholders may have greater difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholder than they would as shareholders of corporations of other jurisdictions.

Holder of Shares may not be able to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. If registration is required in any jurisdiction with respect to the offer to holders of shares or rights, or the shares or other relevant property to which such rights relate, we will not effect such offer or sale to holders in the jurisdiction, unless we have obtained an exemption from, or effected a registration in accordance with, the requirements of such jurisdiction. We are not obligated to obtain any exemption or effect any registration. Accordingly, holders of Shares may be unable to participate in rights offerings by us, including the potential Rights Issuance, and may experience dilution of their holdings as a result.

Risks relating to the Letter of Credit

The Letter of Credit is not a guarantee and may not benefit Bondholders in all circumstances.

Although the Letter of Credit will be available to the Trustee, on behalf of the Bondholders, in certain circumstances following our failure to make any payment when due, the Letter of Credit may not benefit Bondholders in all circumstances where other forms of Bondholder protection (such as guarantees) would have applied. Save in respect of certain limited exceptions, the LC Bank's prior written consent is required before the Trustee can, if an Event of Default (as defined in the Description of the Bonds) has occurred, give an effective notice to us that the Bonds are immediately due and payable. In the event that such written consent from the LC Bank is not forthcoming, the Trustee will not be able to give an effective notice, and the Bonds will not be immediately due and payable, in respect of Events of Default for which the written consent of the LC Bank is required. In such an event, the Trustee may not be able to draw on the Letter of Credit until either: (1) the Bonds become due and payable on the Maturity Date (as defined in the Description of the Bonds) or (ii) the Bonds become otherwise due and payable in accordance with the Description of the Bonds.

In addition, we have an obligation to redeem all the Bonds in certain circumstances relating to the Letter of Credit, such as an event of default under the Reimbursement Agreement (as defined below) and if the LC Bank terminates the Letter of Credit (see "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (G) LC Redemption Event" of the Terms and Conditions of the Bonds). The LC Bank's interests may not be aligned with the interests of the Bondholders and any decision by the LC Bank to enforce its rights in relation to the Reimbursement Agreement and the Letter of Credit may result in (a) an early redemption event in circumstances where Bondholders would not otherwise expect the Bonds to be redeemed or, (b) if a Bondholder elects for its Bonds to remain outstanding, such Bonds to be without the benefit of a Letter of Credit.

USE OF PROCEEDS

The net proceeds to be received by us from this offering of the Bonds will be approximately US\$117.2 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US\$2.8 million.

We intend to use the net proceeds from this offering to procure raw material with foreign currency. Pending any use of proceeds as described above, we intend to invest the net proceeds in short-term, liquid investments.

MARKET PRICE INFORMATION

Our Shares were listed on the ROC GreTai Securities Market (“GTSM”) from October 9, 2007 and have been listed on the TWSE since January 12, 2009. The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the GTSM or TWSE for our Common Shares, where applicable, and the highest and lowest of the daily closing values of the Over-the-Counter Index, or the OTC Index, or the TWSE Weighted Index, where applicable, for the periods indicated.

On July 10, 2014, the reported closing price of our Common Shares was NT\$35.5 per common share and the TWSE Weighted Index closed at 9,565.12.

	Closing Price Per Share on the GTSM		Average Daily Trading Volume on the GTSM	OTC Index	
	High	Low		High	Low
	NT\$	NT\$			
2007 (from October 9)	180.00	120.00	135,287	192.72	137.92
2008	142.48	23.00	378,210	163.15	54.85
2009 (through January 11)	37.00	34.80	2,025,972	67.13	63.71

	Closing Price per Share on the TWSE		Average Daily Trading Volume on the TWSE	Taiwan Stock Exchange Weighted Index	
	High	Low		High	Low
	NT\$	NT\$			
2009 (from January 12)	87.50	32.25	7,475,626	8,188.11	4,242.61
2010	89.30	51.70	10,318,836	8,972.50	7,071.67
2011					
First Quarter	85.60	70.80	13,057,651	9,145.35	8,234.78
Second Quarter	75.10	47.50	6,961,913	9,062.35	8,478.86
Third Quarter	53.70	25.20	8,186,894	8,824.44	8,824.44
Fourth Quarter	30.00	14.90	8,790,452	7,622.01	7,622.01
2012					
First Quarter	34.40	18.80	18,115,783	8,144.04	8,144.04
Second Quarter	26.00	19.60	8,434,447	7,862.90	7,862.90
Third Quarter	23.25	15.80	9,657,706	7,781.91	7,781.91
Fourth Quarter	19.15	13.90	9,226,329	7,757.09	7,757.09
2013					
First Quarter	24.75	18.70	15,359,190	8,038.72	8,038.72
Second Quarter	26.50	18.95	14,200,428	8,398.84	8,398.84
Third Quarter	30.75	21.35	12,543,718	8,299.12	8,299.12
Fourth Quarter	44.05	28.70	37,053,094	8,623.43	8,623.43
2014					
January	43.90	35.50	34,817,813	8,625.30	8,625.30
February	38.15	34.30	22,367,239	8,639.58	8,639.58
March	40.00	35.55	16,828,371	8,849.28	8,849.28
April	37.90	34.65	17,665,046	8,974.71	8,974.71
May	37.70	35.85	15,407,657	9,121.71	8,808.61
June	39.90	35.85	25,178,418	9,393.07	9,119.96
July (through July 10)	38.40	35.50	14,085,917	9,565.12	9,441.92

Source: Bloomberg, GreTai Securities Market Website, and TWSE Website.

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See “Risk Factors — Risks Relating to the Bonds and the Shares — The market value of your investment may fluctuate due to the volatility of, and government intervention in, the Taiwan securities market” and “Appendix A — The Securities Markets of the ROC.”

EXCHANGE RATES

The following table sets forth the average rates, high, low and period-end noon buying rate between NT dollars and U.S. dollars (in NT dollars per U.S. dollar) for the periods indicated. No representation is made that the NT dollar amounts actually represent such U.S. dollar amounts or could have been, or could be, converted into U.S. dollars at the rate indicated, at any other rate or at all. Fluctuations in the exchange rate between the U.S. dollars and NT dollars will affect the U.S. dollar equivalent of the NT dollar price of our Shares on the TWSE and, as a result, are likely to affect the market price of the Bonds. For additional information, see “Risk Factors — Risks relating to the Bonds and the Shares — Fluctuations in exchange rates could affect the value of the Bonds and the Shares independent of our operating results.”

NT dollar/U.S. dollar Noon Buying Rate				
	Average ⁽¹⁾	High	Low	Period End
2009	33.02	31.95	35.21	31.95
2010	31.50	29.14	32.43	29.14
2011	29.38	28.50	30.67	30.27
2012	29.56	28.96	30.28	29.05
2013	29.68	28.93	30.20	29.83
2014 (through July 3)	30.26	29.90	30.65	30.16
January	30.14	29.90	30.31	30.31
February	30.31	30.25	30.37	30.29
March	30.40	30.24	30.65	30.45
April	30.19	29.99	30.31	30.16
May	30.12	29.97	30.20	30.01
June	29.99	29.87	30.08	29.87
July (through July 3)	29.87	29.85	29.88	29.85

Source: For all periods prior to January 1, 2009, the exchange rate refers to the Noon Buying Rate as reported by the Federal Reserve Bank of New York. For periods beginning on or after January 1, 2009, the exchange rate refers to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board.

- (1) Determined by averaging the rates on the last business day of each month during the relevant period for annual periods and the rates on each business day for monthly periods.

DIVIDENDS AND DIVIDEND POLICY

Our articles of incorporation, as amended by the shareholders on June 11, 2014, or Articles, provides that after we pay all income taxes, recover any losses incurred in prior years, set aside 10% of our earnings as legal reserve, and set aside a special reserve as may be necessary, we may distribute the remaining balance as follows:

- (a) no less than 3% as bonus to employees;
- (b) no more than 2% as remuneration to directors; and
- (c) together with the undistributed profits of previous year, bonus to shareholders.

We will distribute dividends based on the budget for future capital expenditures and our financing needs. The dividends may be distributed in the form of cash or Common Shares, provided that dividends distributed in form of cash shall be no less than 10% of the total dividends declared. The following table sets forth the aggregate number of outstanding shares entitled to dividends, as well as the cash dividend paid and stock dividends distributed on each share, during each of the years indicated. Figures represent dividends in respect of the prior fiscal year paid in the then current fiscal year.

	Aggregate Number of Shares Outstanding on Record Date	Stock Dividend per Share	Cash Dividend per Share
		NT\$	NT\$
2009	160,405,426	1.100	1.100
2010	—	—	—
2011	312,794,574	0.512	4.609
2012	—	—	—
2013	787,083,380	—	0.299

Under the ROC Company Act, except under certain limited circumstances, an ROC company is not permitted to distribute dividends or make any other distributions to shareholders in any year in which it has no earnings.

The ROC Company Act also requires that out of our annual earnings, less prior years' losses, if any, and outstanding tax, 10% of which shall be set aside as a legal reserve. Allocation to legal reserve need not be made when the accumulated legal reserve equals the paid-in capital. Apart from the aforesaid legal reserve, we may appropriate another sum as a special reserve in accordance with applicable laws and regulations when necessary. See "Description of Our Shares."

Holders of our outstanding Shares on a dividend record date (including subsidiaries holding our Shares) will be entitled to the full dividend declared without regard to any subsequent transfer of such Shares.

CAPITALIZATION

The following table sets forth our total capitalization on a consolidated basis as of March 31, 2014 under Taiwan IFRSs (i) on an actual basis and (ii) as adjusted for the offering of the Bonds. This table should be read in conjunction with our financial statements, including the notes to those statements, included elsewhere in this Offering Circular.

	As of March 31, 2014			
	Actual		As Adjusted for this Offering Circular	
	NT\$	US\$ ⁽¹⁾	NT\$	US\$ ⁽¹⁾
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in million)			
Noncurrent liabilities portion:				
Long-term bank loans	4,583.6	150.5	4,583.6	150.5
Bonds payable	275.3	9.0	275.3	9.0
Bonds being offered	—	—	3,568.1 ⁽²⁾	117.2 ⁽²⁾
Total noncurrent liabilities	4,858.9	159.5	8,427.0	276.7
Equity attributable to shareholders of the parent:				
Common shares	7,870.8	258.5	7,870.8	258.5
Capital surplus				
Share premium	10,317.5	338.8	10,317.5	338.8
Conversion of bonds	464.1	15.2	464.1	15.2
Conversion Option of Bonds	11.7	0.4	11.7	0.4
Difference between consideration and carrying amounts adjusted Arising from changes in percentage of ownership subsidiaries	1.5	0.1	1.5	0.1
Employee Share Options	3.0	0.1	3.0	0.1
Restricted Shares for Employees	75.0	2.5	75.0	2.5
Retained earnings				
Unappropriated earnings	882.9	29.0	882.9	29.0
Other Equity				
Foreign Currency Translation Reserve	36.8	1.2	36.8	1.2
Unrealized Loss on Available-for-sale Financial Assets	(66.2)	(2.2)	(66.2)	(2.2)
Unearned Employee Benefits	(49.8)	(1.6)	(49.8)	(1.6)
Total equity attributable to shareholders of the parent	19,547.3	642.0	19,547.3	642.0
Non-controlling Interest	371.9	12.2	371.9	12.2
Total equity	19,919.2	654.2	19,919.2	654.2
Total capitalization	24,778.1	813.7	28,346.2	930.9

(1) NT dollar amounts have been translated into U.S. dollars using the Noon Buying Rate published by the Federal Reserve Bank of New York on March 31, 2014 of NT\$30.45 to US\$1.00 solely for the convenience of the readers.

(2) The fair value of the exchanged option relating to the Bonds has not yet been determined.

There has been no material change in our total capitalization since March 31, 2014.

SELECTED FINANCIAL AND OPERATING DATA

The following table presents our selected financial and operating data. The selected consolidated financial data as of and for the years ended December 31, 2012 and 2013 set forth below are qualified by reference to, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this Offering Circular. The selected consolidated financial data as of and the three months ended March 31, 2013 and 2014 set forth below are qualified by reference to, and should be read in conjunction with, our unaudited consolidated financial statements included elsewhere in this Offering Circular. The audited financial statements have been prepared and presented on a consolidated basis and in accordance with Taiwan IFRSs which, however, differs in certain material respects from generally accepted accounting principles in the United States, or U.S. GAAP, and IFRSs, including with respect to the rules regarding the presentation of consolidated financial statements. See “Summary of Certain Significant Differences Between Taiwan IFRSs and IFRSs.” The unaudited financial statements have been prepared and presented on a consolidated basis and in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting.”

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2012	2013		2013	2014	
	NT\$	NT\$	US\$	NT\$	NT\$	US\$
		(audited)			(unaudited)	
	(in thousands, except for %)					
Statement of Operations Data:						
Net sales	12,241,013	20,084,253	659,581	2,591,023	7,277,299	238,992
Cost of sales	(15,490,712)	(18,374,388)	(603,428)	(2,885,703)	(6,486,312)	(213,015)
Gross (loss) profit	(3,249,699)	1,709,865	56,153	(294,680)	790,987	25,977
Total operating expenses	(809,789)	(1,255,997)	(41,248)	(244,038)	(422,097)	(13,862)
Other income and expenses	(145,419)	(139,511)	(4,581)	(50,530)	—	—
(Loss) income from operations	(4,204,907)	314,357	10,324	(589,248)	368,890	12,115
Nonoperating income and expenses .	(36,955)	185,062	6,077	(10,309)	14,661	481
(Loss) income before income tax . . .	(4,241,862)	499,419	16,401	(599,557)	383,551	12,596
Income tax benefit	40,574	16,026	526	—	839	28
Net (loss) income	(4,201,288)	515,445	16,927	(599,557)	384,390	12,624
Per Share Data ⁽¹⁾ :						
Basic (loss) earnings per share	(9.71)	0.86	0.03	(1.29)	0.52	0.02
Diluted (loss) earnings per share . . .	(9.71)	0.85	0.03	(1.29)	0.51	0.02
Other Financial Data:						
Gross margin	(27%)	9%		(11%)	11%	
Operating margin	(34%)	2%		(23%)	5%	
Net profit margin	(34%)	3%		(23%)	5%	

- (1) Earnings (loss) per share are calculated by dividing net income (loss) by the weighted average number of Common Shares outstanding during each period after adjusting retroactively for the effect of stock dividends and employees' bonuses.

	As of December 31,			As of March 31,		
	2012	2013		2013	2014	
	NT\$	NT\$	US\$	NT\$	NT\$	US\$
		(audited)			(unaudited)	
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	5,819,523	6,372,612	209,281	4,526,590	6,046,247	198,562
Notes and Accounts receivable, net	2,406,383	4,342,722	142,618	2,757,654	5,533,050	181,709
Inventories	499,577	1,520,630	49,939	915,197	2,285,031	75,042
Property, plant and equipment	9,642,807	15,606,909	512,542	9,182,555	15,596,304	512,194
Prepayments	324,461	264,611	8,690	561,927	324,362	10,652
Prepayments — noncurrent	1,357,083	1,804,767	59,270	1,471,110	1,643,551	53,975
Total assets	21,099,073	34,312,001	1,126,832	20,890,351	35,717,070	1,172,973
Notes and accounts payable	859,517	2,374,877	77,993	1,391,466	2,708,380	88,945
Current tax liabilities	—	10,201	335	—	8,656	284
Short-term bank loans	2,942,427	2,732,789	89,747	2,644,147	3,613,627	118,674
Current portion of long-term bank loans	1,301,042	1,757,933	57,732	1,299,434	1,989,219	65,327
Bonds payable	—	549,004	18,030	—	275,335	9,042
Long-term bank loans	3,174,465	4,708,754	154,639	3,292,465	4,583,579	150,528
Total liabilities	10,043,495	15,101,260	495,937	10,210,707	15,797,846	518,812
Total equity	11,055,578	19,210,741	630,895	10,679,644	19,919,224	654,161

	Year Ended December 31,			Three Months Ended March 31,
	2011	2012	2013	2014
Other Operating Data:				
Amounts of solar cells sold (in MW)	708.5	805.7	1,405.4	497.1
Amounts of solar modules sold (in MW)	24.4	41.9	130.4	43.2
Manufacturing yield rate of solar cells:				
Multicrystalline	98.5%	99.0%	98.7%	98.8%
Monocrystalline	98.9%	99.2%	99.0%	99.1%
Average conversion efficiency rate of solar cells:				
Multicrystalline	17.0%	17.2%	17.4%	17.5%
Monocrystalline	19.0%	19.0%	19.4%	19.5%
Manufacturing capacity utilization rate of solar cell ⁽¹⁾	79.0%	65.0%	97.0%	100.0%

(1) Utilization rate represents total output as a percentage of weighted average capacity during the respective periods.

BUSINESS

Overview

We are a leading solar product manufacturer specializing in the research, development, and manufacturing of high-efficiency solar cells, solar modules and solar systems. We are the world's largest merchant solar cell supplier in 2013 according to data derived from Solarbuzz, and one of the top five solar cell manufacturers in the world in terms of annual manufacturing capacity.

We are primarily engaged in the design, manufacture and marketing of high-performance solar cells, which are made from specially processed silicon wafers and convert sunlight into electricity. We sell our solar cells mainly to solar module manufacturers who assemble and integrate our solar cells into solar modules and systems. We also manufactured solar modules on a small-scale basis before our acquisition of DelSolar, a leading solar cell and module manufacturing company based in Taiwan, in May 2013. Through our acquisition of DelSolar, we have significantly expanded our solar module production facilities and capacity. We develop and market our solar cells with our own brand name while focus on OEM business as to our solar modules. In 2012 and 2013 and the three months ended March 31, 2014, net sales generated from our solar cells were NT\$10,996.9 million, NT\$16,758.6 million (US\$550.4 million) and NT\$6,255.4 million (US\$205.4 million), respectively, accounting for 89.8%, 83.4% and 86.0% of our total net sales for the respective periods. In 2012 and 2013 and the three months ended March 31, 2014, net sales generated from our solar modules were NT\$1,177.7 million, NT\$3,018.6 million (US\$99.1 million) and NT\$956.7 million (US\$31.4 million), respectively, accounting for 9.6%, 15.0% and 13.1% of our total net sales for the respective periods.

We have experienced rapid and scalable growth as we expanded manufacturing capacity and our customer base around the world. We intend to increase market share by focusing on process technology improvements and product development of high efficiency products to manufacture high-quality solar cells with high conversion efficiencies on a cost-effective basis and on a large scale. The average conversion efficiency rate of our multicrystalline solar cells were 17.2%, 17.4% and 17.5% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 17.0% in 2011. The average yield rate was 99.0%, 98.7% and 98.8% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 98.5% in 2011. The average conversion efficiency rate of our monocrystalline solar cells was 19.0%, 19.4% and 19.5% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 19.0% in 2011. The average yield rate was 99.2%, 99.0% and 99.1% in 2012 and 2013 and the three months ended March 31, 2014, respectively, up from 98.9% in 2011. We believe our Taiwan-based design, development and manufacturing facilities provide us with several competitive advantages, including lower operating expenses and access to highly skilled technical expertise.

We have a proven track record of rapid capacity expansion, and our manufacturing operations are highly scalable. We began producing solar cells with an initial annual production capacity of 30MW in 2006 and have rapidly expanded our annual production capacity. Our acquisition of DelSolar in May 2013 has further enhanced our economies of scale, strengthened our product portfolio and expanded our geographic coverage. As of March 31, 2014, our total installed annual manufacturing capacity for solar cells and modules was 2.2GW and 240MW, respectively. We plan to expand our solar cells capacity to 3.0GW by the end of 2015 and our solar modules capacity to 480MW by the end of 2014.

We have customers across the globe, including many of the established companies in the global solar power generation and project development industry. As of March 31, 2014, we have 135 customers worldwide. We aim to develop long-term strategic relationships with our existing customers, as well as continue to expand and diversify our customer base in terms of geographic coverage. Although historically many of our customers were based in Europe and the PRC, we have successfully expanded our customer base to North America and Japan. We have also established OEM arrangements with some of our customers, under which we agree to process silicon wafers into solar cells and/or modules for these OEM customers for a service fee.

Leveraging our expertise in manufacturing high quality solar cells and modules and our experience in the photovoltaic industry, we are currently developing solar power projects in the United States, Japan and Taiwan through our subsidiary General Energy Solutions International Co., Ltd. We have completed phase one of the solar system project construction at Indianapolis International Airport in the United States in October 2013 with construction of phase two expected to be completed in the fourth quarter of 2014. Such system is expected to be the North America's largest solar system at an airport upon completion of phase two construction in terms of power generating capacity at approximately 25MW. In 2012 and 2013 and the three months ended March 31, 2014, net sales from our solar system installation services was nil, NT\$85.7 million (US\$2.8 million) and nil, respectively, accounted for nil, 0.4% and nil of our total net sales for the respective periods.

Our net sales increased by 64.1% from NT\$12,241.0 million in 2012 to NT\$20,084.3 million (US\$659.6 million) in 2013. We experienced a net loss of NT\$4,201.3 million in 2012 due to the downturn in the global economy and the solar industry, the dropping average selling price of solar cells and our penalty payment for early termination of the supply agreements with our wafers suppliers. We generated a net income of NT\$515.4 million (US\$16.9 million) and NT\$384.4 million (US\$12.6 million) in 2013 and the three months ended March 31, 2014, respectively, due to increase in demand for solar cells and modules, rebound in average selling price of solar cells and cost reductions from procurement and manufacturing overhead, resulting from increased purchasing power and our increased economies of scale, which was in part contributed by our acquisition of DelSolar. Our shipment of solar cells and modules for 2012 and 2013 and the three months ended March 31, 2014 was 847.6MW, 1,535.8MW and 540.3MW, respectively, including 805.7MW, 1,405.4MW and 497.1MW of solar cells and 41.9MW, 130.4MW and 43.2MW of solar modules, for the respective periods.

Our Competitive Strengths

We believe the following competitive strengths enable us to compete effectively and to capitalize on the growth opportunities in the solar power industry:

Strong research and development capability and world-class technology

The solar power industry is highly competitive that requires intense investment as to research and development. Our strong research and development ability is crucial for us to acquire first-mover advantage in order to command a higher profit margin at the beginning of a product's life cycle. We have focused on research, design and development since our inception to achieve technological advancements in producing solar cells with higher conversion efficiency, better quality and at a competitive cost level. Our research, design and development activities are primarily focused on the improvement of our manufacturing process, the innovation of product design, as well as the development of new technologies for solar cells and modules. We incurred research and development expenditure of NT\$162.1 million, NT\$407.5 million (US\$13.4 million) and NT\$113.6 million (US\$3.7 million) in 2012 and 2013 and the three months ended March 31, 2014, accounted for 1.3%, 2.0% and 1.6% of our total revenue for the respective periods.

Our in-house research and development personnel increased from 18 as of December 31, 2011, to 39 as of December 31, 2012, to 55 as of December 31, 2013 and further to 87 as of March 31, 2014, which accounted for 6.4%, 12.5%, 8.4% and 12.4% of our non-manufacturing employees for the respective periods. To further strengthen our research and development capabilities, we have also established cooperative relationships with a number of external organizations, including top tier universities and research institutions. Our collaborative efforts with these organizations not only provide us access to more advanced testing facilities and equipment, but also enable us to keep up-to-date with the latest industry developments and trends. Our strong research and development capabilities have provided us with a competitive edge in building and strengthening our relationships with suppliers and customers, developing new technologies and rapidly rolling out new products with higher quality and performance. As of March 31, 2014, we hold 66 patents, including 35 patents in Taiwan, 19 in the PRC and eight in Japan. We also have 112 patent applications pending in various countries, including Taiwan, the PRC, the United States, Japan and the European Union.

Superior product quality and manufacturing cluster excellence through leveraging semiconductor manufacturing process knowledge

Our rigorous manufacturing disciplines as a result of our utilization of semiconductor manufacturing process knowledge, combined with our efforts invested in research and development, continued refinement of our manufacturing process and dedication to stringent quality control, have enabled us to produce premium quality solar cells with high conversion efficiency, low breakage rate and superior in-field electricity generation performance, which differentiates us from our competitors and helps us mitigate price competition. Our headquarters and certain of our production facilities are located in Hsinchu, Taiwan, where the first tier semiconductor manufacturing companies are situated. Therefore, we are able to achieve cluster excellence for being able to capitalize the upcoming semiconductor technologies and opportunities ahead of our peers. We introduced our monocrystalline solar cell, the Black 20, in 2013, the average conversion efficiency rate of which can reach up to 20.6% and which is able to provide potential power output of 280W or 335W using the standard 60-cell and 72-cell per module configuration, respectively. We have also recently introduced our “Super 19” multicrystalline solar cell with the average conversion efficiency rate that can reach up to 19.5% and provide panel makers with potential power output of 275W or 325W using a 60-cell and 72-cell per module configuration, respectively. We also rolled out high-efficiency module products, the multicrystalline “Super” module and monocrystalline “Power” and “PowerH” module, using our “Super 19” and “Black 20” solar cells, respectively, in June 2014. We had and will continue to be committed to procure high quality raw materials and employ proprietary processing technology to establish stringent product quality control.

Significant cost advantage from efficient procurement and seamless manufacturing

We believe our competitive raw material procurement cost structure is achieved through economies of scale and our synergistic relationships with suppliers to jointly develop new materials and technologies for manufacturing the next generation of solar cell products. As we are currently the largest merchant solar cell supplier in the world, we procure most of our wafer supplies through long-term contracts with flexible pricing terms. In 2013, our annual procurements through long-term contracts were approximately 800MW, representing approximately 52.0% of our total annual demand. We also procure a certain portion of our wafer supplies through tolling agreements in which we purchase polysilicon through long-term contracts that were processed by our suppliers into silicon wafers to ease potential supply shortages and provide pricing stability and predictability. In addition, through our OEM arrangements with our customers, we also secure silicon wafers from our customers that we then process into solar cells. Such OEM arrangements also help us to reduce volatility of raw material supplies. Most importantly, we collaborate with our major suppliers, such as GCL-Poly Energy Holdings Limited, OCI Company Ltd., Jiangxi LDK Solar Hi-Tech Co. Ltd., Green Energy Technology and Wafer Works Corporation, by reverting technological feedback as to their products so that they can refine their products to meet our needs to manufacture high quality solar cells. Therefore, our suppliers are willing to provide us raw materials at competitive prices as we believe our timely and valuable feedback is crucial for them to further strengthen their own products. Our innovation- and collaboration-oriented management policy of raw material procurement has led to steady raw material prices which have provided protection against an increase in spot market prices.

In addition, our competitive manufacturing cost is achieved through our proprietary processing technology and manufacturing know-how, which allows efficient production with high yield rate. We believe that our rigorous manufacturing disciplines as a result of our advanced manufacturing process knowledge, combined with our strong record of continuous technology and process innovation and cost-efficient supply procurement strategy have created a seamless manufacturing process which enables us to produce premium quality solar cells under a competitive cost structure. Our competitive cost structure also allows us to provide attractive product pricing, thereby helping our customers achieve higher returns for their products and as a result, assist in building brand loyalty amongst our customers.

Substantial scale of operation

To further enhance our economies of scale and expand our geographic coverage, in May 2013, we acquired DelSolar, a leading solar cell and module manufacturing company based in Taiwan. Through the acquisition, we gained additional two solar cell Fabs and one solar module Fab, which firmly established us as one of the leading crystalline solar cell manufacturers globally with significant scale of operation. As a result of the acquisition and also through further capacity expansion of our existing production lines, our total installed annual manufacturing capacity for solar cells increased from 1.1GW as of December 31, 2012, to 2.1GW as of December 31, 2013 and to 2.2GW as of March 31, 2014. Our total installed annual manufacturing capacity for solar modules increased from 130MW as of December 31, 2012, to 240MW as of December 31, 2013 and March 31, 2014. We plan to expand our solar cells capacity to 3.0GW by the end of 2015 and our solar modules capacity to 480MW by the end of 2014.

Our significant operation provides us with economies of scale to reduce raw materials procurement costs and to maximize our operating efficiency. It also provides us with a significant competitive advantage that allows us to enter into stable and long term supply contracts with flexible and competitive pricing terms with major players in the solar power industry and assumes an increasingly important role as a primary solar cell supplier to key customers in the solar power industry. The scale of our operation also gives us the ability to invest substantially in research and development, to improve our operating efficiency by reducing cost of sales and to strengthen our relationships with suppliers. Furthermore, our ability to deliver significant volume to each customer as their businesses continue to grow has also enabled us to foster close and strategic relationships with such customers. Our critical scale has also led to our strong balance sheet position, which further strengthens customers' trust in us and provides us with a strong foundation to grow our business.

Long-term synergistic relationships with global customers

We have established synergistic relationships with top-tier customers in the solar industry globally, who demand premium quality solar cells at a competitive price. As of March 31, 2014, we had 135 customers worldwide. Maintaining customer loyalty is crucial for the long term development of relationships with our customers. We continue to make significant progress to maintain our market position as one of the leading solar cell suppliers to all our core customers. Our ability to produce premium quality solar cells demanded by leading global module suppliers creates a high competitive entry barrier that is favorable to the sustainability and growth of our market share. In addition, our relationships with our customers are multi-leveled in nature, as we aim to facilitate long-term synergies with our customers. We work closely with our customers to discuss their technology and product roadmaps in order to refine and improve our products to maximize the performance of our customers' products. We also work with our customers to enhance their manufacturing processes in order to augment the performance of solar cells and modules used in their products.

Highly experienced management with strong semiconductor and solar industry experience

Our management team consists of inter-disciplinary experts in semiconductors, electronic systems, silicon raw materials, PV cell processing and PV energy system engineering, who possesses deep knowledge as to the leading manufacturing and processing technology in manufacturing solar cells. Our management team is led by Dr. Kun-Si Lin, one of our founders, the Chairman of our board of directors and our Chief Strategic Officer, and Dr. Sam Chum-Sam Hong, one of our founders and directors and our Chief Executive Officer, who has over 30 years of experience in PV cell development and was previously the Division Director of Photovoltaic Solar Energy Division of the Industry Technology Research Institute, and Mr. Andy Wei-Jiun Shen, our President and Chief Operating Officer, who has over 30 years of experiences with Taiwan Semiconductor Manufacturing Company Limited, a leading company in the semiconductor industry in Taiwan. Our management team has successfully led our operations and increased our capacity, revenues and profits through rapid growth. We believe that the industry expertise and field operating experiences of our management have provided us with significant competitive advantages in the fast growing solar industry.

Our Strategies

Our goal is to become an undisputed leading merchant solar cell producer and supplier-of-choice to global solar OEM equipment vendors. To achieve our goal, we intend to grow our business through the following strategies:

Continue to pursue technology innovation

We believe our research and development capability is a crucial factor of our competitive position. As such, we plan to continue to invest in manufacturing process optimization and application of new technologies to produce solar cells that provide the best module conversion efficiency in the field on a long-term basis.

Moreover, we aim to strengthen our research and development capabilities by continuing to recruit additional experienced research and development personnel, investing in advanced manufacturing and research and development equipment to achieve seamless manufacturing processes, and establishing task forces to further achieve synergy among our research and development, manufacturing, and sales and marketing resources to ensure the shortest time to market for new technology so as to acquire first-mover advantage to generate higher profit margins. We will also continue to build up and maintain our synergistic relationships with our suppliers and customers to further improve the quality of our products so to maximize the commercial performance of our customers' products.

Further business diversification to emerging markets and downstream project development

Solar power industry is a highly dynamic industry and is becoming increasingly globalized. We expect continuous shift in demand geographically for solar products, with most recently such demand shifting to Asia and the United States. To take advantage of such dynamics, we will continue to leverage our leading position in the solar cell market, our strong research and development capability and our existing strategic relationships with our customers to establish early presence in strategic and emerging markets and develop new customer relationships to capture new opportunities. We aim to increase our market share in North America and Japan and to increase the amount of solar cells sold to the two markets to approximately 50%, as a percentage to our total solar cells sold, on a MW basis by the end of 2015. We also aim to expand our global presence by targeting the Middle East, Southeastern Asia and African markets.

We will also further expand into the downstream markets of solar industry. Our approach is to selectively develop, own and operate solar power projects that provide higher internal rate of return with lower cost of capital. We aim to continuously monitor the development and maturity of new technologies to anticipate and capture upcoming opportunities in downstream markets and to leverage our premium quality solar cells with high conversion efficiency to help us penetrate end-markets through the application and utilization of our solar cells, thereby diversifying our business scope and increasing geographical reach. We believe such efforts will allow us to prudently manage our exposure to each market segment in the solar industry, increase our presence in emerging markets with significant potentials and increase our revenue opportunities.

Target premium segments with high price-performance products to alleviate direct price competition and mitigate margin pressure

Our premium quality solar cells differentiates us from competitors that focus on manufacturing mass market products and is one of our core competitiveness. We believe such premium quality products enable us to alleviate price competition pressure and mitigate margin pressure. As the solar power products industry is expected to become more competitive over the coming years, we intend to continue our efforts to further gradually shift our focus to market segments with higher profit margin. We aim to achieve this goal through continued product innovation, thereby strengthening relationships with top players in the solar industry. We also plan to continue to focus on manufacturing premium quality solar cells at competitive prices by procuring high quality raw materials at competitive cost and employing proprietary processing technology to establish stringent product quality control.

Continue to reduce cost to maintain cost leadership

We plan to continue to reduce cost through product innovation, optimization of manufacturing process, economies of scale and strengthening of synergistic relationships with our suppliers. Our collaborative relationship with our major suppliers has proven to be crucial in helping us to build long term relationship with them and to procure our raw materials at competitive prices, which are essential to maintaining our market leading position and increase our market share and gross margin. We also plan to maintain and achieve further cost reduction through improvement in conversion efficiency, manufacturing yield and reduction in the use of raw materials per solar cell. We will continue to focus on employing our collaboration-oriented supply procurement strategy, securing long-term supply contracts with flexible pricing terms for our raw materials to reduce the risks associated with pricing and supply volatility.

Prudent capacity expansion and ongoing diversification of manufacturing locations

We enjoy high utilization rates for our current production lines. We will continue to monitor our customers' short-term and long-term demands to opportunistically expand our production capacity. Our total installed annual manufacturing capacity for solar cells increased from 1.1GW as of December 31, 2012 to 2.2GW as of March 31, 2014. Our total installed annual manufacturing capacity for solar modules increased from 130MW as of December 31, 2012 to 240MW as of March 31, 2014. We plan to expand our solar cells capacity to 3.0GW by the end of 2015 and solar modules capacity to 480MW by the end of 2014.

In addition, in light of the global trade constraints in the PV market, it is important for us and we plan to further diversify the locations of our manufacturing facilities to mitigate potential risks, including political risks and risks relating to the imposition of anti-dumping duties or countervailing duties on products exported from specific countries.

Our Products

Solar cell

We are primarily focused on high-performance solar cell research, development, design, manufacturing and marketing, a stage in the solar power industry value chain that we believe has a significant amount of technology value add which results in higher profit potential and higher barriers to entry. Solar cells are made from specially processed silicon wafers. Our solar cells are assembled and integrated into solar modules and PV systems that convert sunlight into electricity through a process known as the photovoltaic effect. Solar cells are the key components of solar modules. Net sales from solar cells was NT\$10,996.9 million, NT\$16,758.6 million(US\$550.4 million) and NT\$6,255.4 million (US\$205.4 million) in 2012 and 2013 and the three months ended March 31, 2014, respectively, accounting for 89.8%, 83.4% and 86.0% of our total net sales, respectively, for the same periods.

As of December 31, 2012, December 31, 2013 and March 31, 2014, our annual solar cell manufacturing capacity was 1.1GW, 2.1GW and 2.2GW, respectively. We currently produce and sell both multicrystalline and monocrystalline solar cells. However, our current focus is on producing multicrystalline solar cells which have lower costs and a larger customer base than monocrystalline solar cells. We also provide cell processing services to some of our customers who supply us with their own polysilicon or wafers and we process them into solar cells that are sold back to them. The following table sets forth the type of solar cells that we offer and their specifications as of June 30, 2014:

Cell Type	Dimensions (mm x mm)	Conversion	Thickness (microns)	Maximum Power (W)
		Efficiency Rate (%)		
Multicrystalline silicon solar cells	156x156	17.0~19.5	180~200	4.1~4.5
Monocrystalline silicon solar cells	156x156	19.0~20.6	180~200	4.5~4.9

The most important aspects in determining production costs and the sale price of solar cells are conversion efficiency rate, cell format and cell thickness.

Conversion efficiency rate refers to the ratio of the maximum power output of electricity released from light received. A cell with a higher degree of efficiency, given the same format, will generate more electricity. Efficiency is a key determinant as to the sale price of solar cells and therefore affects the profitability margins of the manufacturer. While all solar cells operate essentially on the same principal, the efficiency levels may vary significantly depending on the way they are made. The main factors that affect efficiency are (i) the quality of wafers from which the solar cells are made of, and (ii) manufacturing process. We believe that our solar cells demonstrate a superior efficiency rate as a result of our advanced manufacturing processes in our production facilities. For example, our metallization grid is optimized to balance the light shadowing, resistance and yield. Our emitter junction is optimized between efficiency gain and cell-to-module power loss. In order to improve the conversion efficiency of our solar cells, our research and development team closely monitors the power loss of solar cells after assembly to modules to meet stringent industry power loss requirements and continues to develop new technology to minimize such power loss. Furthermore, we have developed a special binning method to help reduce such power loss. We have also achieved a positive-only tolerance rating. Our passivation layer has been engineered to provide good optical reflection characteristics and improve hydrogen passivation, and ultimately provide better efficiency. As a result, we believe the conversion efficiency of our solar cells is superior as compared to our competitors' products, our cell reliability tests far exceed standard specification, our cell experience minimal cell efficiency degradation with temperature and retain good cell efficiency under low lights, and such advantages enable us to maintain long-term relationships with our current customers and to win new customers.

The larger the format of a solar cell, the greater is its power output, given the same level of efficiency. As a result, a larger solar cell with the same efficiency as a smaller cell can be sold for a higher price. However, a larger solar cell also generally results in increased breakage rates and higher material cost per watt. We currently produce solar cells with the format of 156 mm x 156 mm.

Solar cell thickness affect product cost as the thinner a cell, the less polysilicon is generally needed for its production. Therefore, thinner solar cells result in cost reduction per cell. However, thinner cells also tend to be more fragile and have higher breakage rates. One of the focuses of our research and development efforts is to refine the process technologies to reduce solar cell thickness. The average thickness of the silicon wafers from our suppliers is in the range of 170 to 220 microns. We are capable of processing silicon wafers that are as thin as 180 microns.

Solar module

We started to manufacture solar modules in 2009 and further expanded our module manufacturing capacity after we acquired DelSolar in May 2013. A solar module is an assembly of solar cells that are electrically interconnected, laminated and framed in a durable and weatherproof package. Currently, most of our solar modules are made with solar cells produced by us. Our solar modules are made with a frame design that we believe enhances their ability to withstand strong wind, vibrations and snow load up to 5,400 Pascal. Our solar modules provide positive power tolerance and had all underwent electroluminescence inspection. We primarily design and produce solar modules while working closely with our customers' need, and our solar modules are often based on our customers' and end-users' specifications and required applications. Majority of our solar modules are produced under our customers' brand.

As of December 31, 2012, December 31, 2013 and March 31, 2014, our annual solar module manufacturing capacity was 130MW, 240MW and 240MW, respectively. We currently primarily produce and sell multicrystalline and monocrystalline solar modules. However, our current focus is on producing multicrystalline modules which have lower costs and larger customer base than monocrystalline modules. Majority of the solar modules produced by us have outputs ranging from 230 to 310 watts. The following table sets forth the type of modules that we offer and their specifications as of June 30, 2014:

Cell Type	Number of Cells	Maximum Power (W)
Multicrystalline solar modules	60~72	230~330
Monocrystalline solar modules	60~72	240~340

The most important aspects in determining production costs and the sale price of modules are silicon costs, non-silicon costs and module power output. Net sales from our solar modules were NT\$1,177.7 million, NT\$3,018.6 million (US\$99.1 million) and NT\$956.7 million (US\$31.4 million) in 2012 and 2013 and the three months ended March 31, 2014, respectively, accounting for 9.6%, 15.0% and 13.1% of our total net sales, respectively, for the same periods.

Solar power project development services

We commenced developing solar power projects in 2012 through our subsidiary General Energy Solutions International Co., Ltd. We completed our first project in 2012 in Taiwan and have in 2013 expanded such efforts to include solar power projects in the United States. In October 2013, we completed phase one of the solar system project construction at Indianapolis International Airport in the United States with a total capacity of 12.5MW with construction of phase two expected to be completed in the fourth quarter of 2014. Such system is expected to be North America's largest solar system at an airport upon completion of phase two construction in terms of power generating capacity at approximately 25MW. Also in May 2013, we completed the construction of a solar power project for the city government in Columbus, Ohio in the United States. As of March 31, 2014, we have more than 60MW initiated and under development in the United States, Taiwan and Japan.

Net sales from our solar system installation services was nil, NT\$85.7 million (US\$2.8 million) and nil in 2012 and 2013 and the three months ended March 31, 2014, accounted for nil, 0.4% and nil of our total net sales in the respective period.

Manufacturing Capacity and Facilities

We currently operate seven manufacturing facilities in Hsinchu, Taiwan, Tainan, Taiwan and Wujiang, Jiangsu, China. Since the commencement of our business in 2005, we have expanded our manufacturing capacity to meet the rapidly increasing demand for our solar cells and modules. The tables below set forth manufacturing capacities for our solar cells and modules for the periods indicated:

Solar cell

The table below sets forth manufacturing capacities for our solar cells for the periods indicated:

	As of December 31,			As of
	2011	2012	2013	March 31,
				2014
	(in MW)			
Solar cell Fab 1 — Hsinchu Industrial Park . . .	120	— ⁽²⁾	— ⁽²⁾	— ⁽²⁾
Solar cell Fab 2 — Hsinchu Science Park	680	680	680	700
Solar cell Fab 3 — Tainan Science Park	400	440	660	700
Solar cell Fab 5 — Chunan Science Park ⁽¹⁾	380	370		
Solar cell Fab 6 — Wujiang ⁽¹⁾	—	—	400	420
Total Annual Manufacturing Capacity	1,200	1,120	2,120	2,190

Notes:

- (1) Acquired through our acquisition of DelSolar in May 2013.
- (2) Production ceased in October 2011.

Our solar cells annual manufacturing capacity reached 2.2GW as of March 31, 2014. We plan to expand such capacity to 3.0GW by the end of 2015.

Solar module

The table below sets forth manufacturing capacities for our solar modules for the periods indicated:

	As of December 31,			As of
	2011	2012	2013	March 31,
				2014
			(in MW)	
Module Fab 51 — Hsinchu Science Park ⁽¹⁾	—	—	70	70
Module Fab 52 — Wujiang ⁽¹⁾	—	—	110	110
Module GES — Hsinchu Hukou	60	60	60	60
Total Annual Manufacturing Capacity	60	60	240	240

Note:

- (1) Acquired through our acquisition of DelSolar in May 2013.

Our solar module installed annual manufacturing capacity reached 240MW as of March 31, 2014. We plan to expand such capacity to 480MW by end of 2014.

All of our existing and new manufacturing facilities are capable of producing cells and modules of a flexible mix between multicrystalline solar cells/modules and monocrystalline solar cells/modules.

Our manufacturing facilities have class 100K cleanroom as of March 31, 2014. A cleanroom is an environmental condition with low level of pollutants such as dust, chemical vapors and aerosol particles. As cleanroom protocols improve the performance of operators working in there, we have adopted the cleanroom standard to ensure high quality of our products.

Manufacturing Process

Solar cell

We use an automated manufacturing process to lower our cost of sales and capital expenditures. The following provides a brief overview of the most important steps in our solar cell manufacturing process:

- *Texturing and cleaning.* The solar cell manufacturing process begins by texturing the wafer surface with a chemical treatment to reduce the solar cell's reflection of sunlight, followed by a surface cleaning of the cell. The texturing process for multicrystalline wafers is slightly different from that for monocrystalline wafers. The chemical treatment process for monocrystalline silicon wafers produces a "pyramid-textured surface," which traps as much incident sunlight photons as possible into the silicon. For multicrystalline silicon wafers, a similar chemical treatment is applied to reduce the reflection of sunlight.

- *Diffusion.* Through a thermal process, an inversely doped thin layer is formed by applying doping compound material into a diffusion furnace. At the processing temperature, the phosphorous atoms disassociate from its gas phase doping compound and diffuse into the wafer surface. As a result, an “n-type” thin layer is formed above the “p-type” wafer substrate.
- *Isolation.* During the diffusion furnace process, a thin oxide layer is formed which may create electric current leak path between cell front and back side. Hence, an isolation process must be applied to achieve a clean separation between front side electrodes and back side electrodes.
- *Anti-reflection coating.* After isolation, we deposit a thin layer to act as an anti-reflective coating to enhance light trapping and passivate the surface.
- *Printing and firing.* By using a screen printing process, we print silver paste and aluminum paste to the front and back surface of the cell, respectively, to act as the contacts and photo current collecting grids. After these metal electrodes are defined, a belt driven furnace is used to apply high temperature process to the cells for firing front side silver paste through the underling PECVD silicon nitride layer to form an ohmic contact to reduce series resistance of the cells.
- *Testing and sorting.* Finally, the manufacturing process is completed and the finished cells are sorted according to their efficiency, appearance and color. Following a final visual inspection and a random sampling quality-check process, the finished cells are packed and ready to be shipped to their final destination.

Solar module

Solar modules are constructed to protect solar cells from environmental damages. The individual cells are electrically connected in a module by soldering process to provide an appropriate electrical output and are encapsulated by lamination technique. We use an automated manufacturing process to lower our cost of sales and capital expenditures. The following provides a brief overview of the most important steps in our solar module manufacturing process:

- *Soldering.* The solar module manufacturing begins with connecting solar cells by soldering process. Solder-coated copper ribbons are used to string the screen-printed silicon solar cells, which have metal busbars on the front and rear sides to enable soldering.
- *Lay out.* After soldering, the solar cell strings are electrically interconnected in series or parallel to give the appropriate current and voltage levels.
- *Lamination.* The electrically connected solar cells are sandwiched between two sheets of encapsulant, together with a module front cover (typically glass sheet) and a rear surface (typically plastic sheet). The whole structure is placed in the laminator, and undergoes a process of vacuum, heating and press, during which the encapsulant melts and surrounds the solar cells to protect them from exposure to the environment. Through lamination the modules will be persistent enough to withstand the rigors of outdoor exposure in different kinds of climates for long periods of time to convert sunlight to electricity at a reasonable cost and efficiency rate.
- *Framing.* The laminated structure is assembled together with an aluminum frame to enable the module to fix to solar system rails. The frame is designed to provide the module with the required mechanical strength so as to withstand snow load and wind pressure when in operation.

- *Testing.* The finished modules are sorted according to their efficiency levels. The electrical output is tested under Standard Testing Conditions in accordance with IEC60904 International Standard from the International Electrotechnical Commission. Following a final visual inspection, the finished modules are packed and shipped to their final destination.

Raw Materials

Silicon wafers are the most important raw materials for producing solar cells, with multicrystalline and monocrystalline silicon wafers as the most commonly used materials. Silicon wafers are sliced from crystalline ingots developed from melted polysilicon. As such, polysilicon is an essential raw material that is used to make silicon wafers.

Securing an adequate supply of silicon wafers is of great significance for us. The success of our business and our growth strategy depend heavily on securing a sufficient supply of silicon wafers and polysilicon at commercially reasonable prices and terms to meet our existing and planned production capacity. We seek to procure silicon wafers from various suppliers who have demonstrated reliability and quality control. In order to better manage our unit costs and to secure adequate supply of silicon wafers, we entered into a number of multiyear supply agreements, ranging from three to ten years, for silicon wafers in amounts that were expected to meet our anticipated production needs.

The unit prices of silicon wafers under our current agreements are generally negotiated monthly or quarterly and are subject to adjustment that closely links to our purchase costs and to the market prices. In addition, we secure a portion of our silicon wafers through the purchase of polysilicon under long-term contracts directly from polysilicon manufacturers and entering into tolling arrangements with wafer manufacturers, as well as through our OEM arrangement with customers and from time to time, through opportunistic spot market purchases.

We had previously entered into fixed price supply contracts for polysilicon and silicon wafers. These contracts generally also require us to make an advance payment of a certain negotiated amount. However, when the price of polysilicon declined in 2011, we became obligated to pay higher than spot market prices for polysilicon or silicon wafers as a result of these long term supply agreements. We terminated or amended some of these fixed price supply contracts in order to ensure our flexibility in the future. For the long-term contracts that have not yet been terminated or re-negotiated, we continue to negotiate with our suppliers at an aim to reach a mutual-agreed solution to mitigate the impact from price fluctuation. Meanwhile, we have booked certain loss reserve that may arise from these long-term contracts at a reasonable estimate. However, if we cannot reach a settlement or amendment at targeted price level or a targeted settlement amount, we cannot assure you that the booked reserve will be sufficient to cover the potential loss.

Decrease in polysilicon prices may also result in adjustment to the valuation of our raw material inventory for the difference between the carry cost of polysilicon inventory and market value, which could have an adverse effect on our results of operations. See “Risk Factors — Risks Relating to Our Company and Industry — Fluctuation in the price of polysilicon or solar wafers may adversely affect our earnings and results of operations.”

We also enter into OEM arrangements with some of our customers, under which we secure silicon wafers from some of our customers and provide solar cells to them, or a third party designated by them, in return.

Our principal suppliers of silicon wafers and polysilicon currently include GCL-Poly Energy Holdings Limited, OCI Company Ltd., Jiangxi LDK Solar Hi-Tech Co. Ltd., Green Energy Technology and Wafer Works Corporation. Our top five suppliers supplied approximately 55.0%, 65.0% and 74.0% of our total silicon raw material needs in the years ended 2012 and 2013 and the three months ended March 31, 2014, respectively.

Other than silicon wafers, raw materials for manufacturing solar cells and modules include auxiliary materials such as glass, ethylene vinyl acetate, back sheet, junction box and aluminum frame. We secure these raw materials from multiple vendors who have demonstrated quality control, reliability and the competitiveness of their pricing terms. We seek to maintain active relationships with multiple suppliers for each of these auxiliary raw materials, and we believe we can readily find alternative sources of supply on terms acceptable to us if any of our current suppliers cannot meet our requirements for these auxiliary materials.

Our top five suppliers accounted for approximately 42.6%, 35.6% and 42.8% of the total amount of raw material procured for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2014, respectively.

Manufacturing Equipment

The major manufacturing equipment used in solar cell manufacturing process includes texturing machines, diffusion furnaces, edge isolators, wafer cleaning machines, anti-reflection machine, in-line printers, firing furnaces and sorting machines. The major manufacturing equipment used in module manufacturing process includes stringer, laminator and IV-tester and sorter. We purchase our equipment from various recognized equipment manufacturers in the United States, Europe and Japan. We have close relationships with the world's leading equipment manufacturers in the solar power industry.

We also work closely with selected equipment manufacturers to customize the design, development and build of our solar cell manufacturing facilities. Certain of our manufacturing equipment has also been designed and made specifically for us. Our technical team is responsible for supervising the installation of the manufacturing equipment and the adjustment of the manufacturing process and equipment parameters to ensure the entire production process is optimized.

Our principal equipment suppliers include, among others, RENA Sondermaschinen GmbH, Centrotherm Systemtechnik GmbH and Applied Materials, Inc. Our specialized equipment includes, among others, Chroma automation machines, wafer inspection loading/unloading equipment, equipment for texture manufacturing process and isolation process, and equipment used for cell inspection and sorting process.

Quality Assurance and Customer Service

Our senior management team is actively involved in setting quality assurance policies and managing quality assurance performance to ensure the high quality of our solar cell and module products. Our quality control consists of three components: incoming inspection of raw materials to ensure quality, in-process quality control of our manufacturing processes and inspection and testing of finished products. During the manufacturing process, we continuously monitor the quality of our products by following procedures including: (i) automatic monitoring and sorting system based on measurement of the efficiency, edge integrity, appearance and color grade of our solar cell products; (ii) automatic measuring of electrical properties, output power, 100% electroluminescence inline inspection of solar modules; and (iii) manual inspection of the appearance and cosmetic defects of solar cells and modules. If any of our solar cell and module products is damaged, defective, or does not meet other quality standards, it will be sorted out during the monitoring process.

We believe that we have a strong equipment maintenance team with well-trained personnel to oversee the operation of our manufacturing activities to avoid any unintended interruption, and to minimize regular down time. To ensure that our quality assurance procedures are effectively applied, manufacturing employees are provided with regular job training.

We have received international certifications for our quality assurance programs, including ISO 9001:2008 for our quality management system, ISO 14001:2004 for our environmental management system and OHSAS 18001:2007 for our occupational health and safety management system, which we believe demonstrate our technological capabilities as well as instill customer confidence.

We pride ourselves on our customer support and service. We emphasize gathering customer feedback on our products and addressing customer concerns in a timely manner. We staff teams comprising sales managers and customer service persons to provide on-site and off-site customer support and services for our customers to meet their production goals. Our skilled and knowledgeable team provides our customers with technical training and consultation with respect to the application of our products to ensure that the most efficient process is used in the development of their products and systems.

Customers and Markets

We sell our solar cells and modules principally to solar module manufacturers who assemble and integrate our products into modules and solar systems, respectively. We plan to continue to expand our direct sales in four major overseas markets: Asia (excluding Japan), Japan, North America and Europe.

Our sales and marketing strategy is to selectively and quickly expand our customer base to include established players in the global solar power industry by (i) establishing long-term strategic relationships with existing customers to develop a loyal customer base, and (ii) continue to expand our international sales and distribution channels worldwide to develop a diverse customer base in terms of geographic coverage in order to manage our exposure to each market segment.

Over the past year, our strategy has allowed us to successfully grow and diversify our international presence. The following table sets forth by region our net sales derived from sales of our products and as percentage of such total net sales for the periods indicated:

	Year Ended December 31,				Three Months Ended March 31,	
	2012		2013		2014	
	NT\$	%	NT\$	%	NT\$	%
	(audited)		(audited)		(unaudited)	
	(in thousands, except %)					
Europe	2,838,225	23.2	1,859,000	9.3	633,54	8.7
Asia (excluding Japan)	5,302,038	43.3	10,875,968	54.1	4,913,224	67.5
North America	883,018	7.2	1,264,341	6.3	683,311	9.4
Japan	3,217,585	26.3	6,082,765	30.3	1,047,113	14.4
Others	147	—	2,179	—	—	—
Total	12,241,013	100.0	20,084,253	100.0	7,277,299	100.0

We have been dependent on a limited number of customers for a significant portion of our net sales. Net sales generated from our top five customers accounted for 44.5%, 49.3% and 56.1% of our total sales in 2012 and 2013 and the three months ended March 31, 2014, respectively. Net sales generated from customers individually accounting for 10% or more of our total net sales accounted for approximately 23.6%, 24.7% and 39.4% of our total net sales in 2012 and 2013 and the three months ended March 31, 2014, respectively. Net sales to our largest customer accounted for approximately 12.2%, 14.7% and 18.4% of our total net sales in 2012 and 2013 and the three months ended March 31, 2014, respectively. As of December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, we have 253, 174, 266 and 135 customers worldwide, respectively.

We typically enter into one-year framework sales agreements with our customers, with monthly firm orders stipulating prices and quantities. We have endeavored to avoid over-dependence on any single customer or on any single country or region. In order to continue growing our sales and to reduce our reliance on any particular market segment, we intend to further broaden our geographic presence and customer base.

Our pricing policy takes into account of a number of factors, including product specification, costs of production and transportation, market conditions and size of order. As the majority of our customers are located overseas, our products are shipped by air to ensure timely delivery across the globe.

We market and sell our solar power products worldwide through our direct sales team, which is based in Taiwan. Each member of our sales team is dedicated to a particular region. Our marketing programs include industrial conferences, trade fairs, sales training, advertising and public relations events. Our sales and marketing team works closely with our research and development and manufacturing teams to coordinate our product development activities, product launches and ongoing demand and supply planning.

In order to maximize the effective utilization of our production capacity, we also provide OEM services to some of our customers who supply us with their own wafers and we process these wafers into solar cells that are sold back to them or a third party designated by the customer. In 2012 and 2013 and the three months ended March 31, 2014, we generated net sales of NT\$3.1 million, NT\$682.4 million (US\$22.4 million) and NT\$122.8 million (US\$4.0 million), respectively, from such OEM services.

Research and Development

Our research and development activities are primarily focused on the improvement of our manufacturing process, as well as development of new technologies for our products, such as increasing the efficiency and reducing the thickness of our solar cells. We believe as a result of our focus on research and development, our solar cells and modules have very low appearance defects and are of excellent color uniformity.

In order to strengthen our research and development capabilities, we have established cooperative relationships with a number of universities and research institutions. Our collaborative efforts with those organizations not only give us access to more advanced testing facilities and equipment, but also enable us to keep up-to-date with the latest industry developments and trends. We also collaborate closely with our suppliers and customers by providing and requesting feedback on the raw materials we outsourced and the products we sold, respectively, in a timely manner to further develop new technology and refine the product quality throughout the value chain, so to create first-mover advantage and to achieve higher cost efficiency. We will continue to develop equipment and tools in-house and redesign our manufacturing processes to improve and streamline our operations, lower costs and realize economies of scales.

As of March 31, 2014, our research and development team consisted of 87 members. Among those, over 29.4% of them have Ph.D. designation and the rest all have master designation. Most of our team members have over 10 years of experience in solar cell production, solar technology development or semiconductor industry. We believe that the continual improvement of our technology is vital in maintaining our long-term competitiveness. Consequently, we plan to continue to expand our research and development team and increase our funding for the research and development activities. We had research and development professional personnel of 18, 39, 55 and 87 as of December 31, 2011, 2012 and 2013 and March 31, 2014.

Intellectual Property

As of March 31, 2014, we hold 66 patents, including 35 patents in Taiwan, 19 in the PRC and eight in Japan. We also have 112 patent applications pending in various countries, including Taiwan, the PRC, the United States, Japan and the European Union. 63 of our issued patents and our pending patent applications relate to technology that we are currently using. The development and protection of our intellectual property will become more important to our business. We intend to continue to assess appropriate opportunities for patent protection of those aspects of our technology that we believe provide a significant competitive advantage to us.

In addition to our patented technologies, we also use know-how available in the public domain and unpatented know-how developed in-house in the manufacturing of our solar cells and modules. We rely on a combination of trade secrets and employee contractual protections to establish and protect our proprietary rights. We believe that many elements of our solar cells and modules and manufacturing processes involve proprietary know-how, technology or data that are not coverable by patents or patent

applications, including technical processes, equipment designs, algorithms and procedures. We have taken security measures to protect these elements. All of our employees, including our executive officers, management and other personnel, have signed employment agreements and intellectual property and confidentiality undertakings that contain non-competition provisions, confidentiality provisions and provisions assigning to us the rights to all intellectual properties and confidential information developed by such persons during and in connection with their employment with us or by utilizing our intellectual properties, equipment and resources.

We have registered as a trademark the logo “NSP” in the European Union and have pending trademark registration applications for the logo “NSP” in Taiwan, the PRC, the United States, Canada and Japan. We also have registered as a trademark the logo “Super Cell” in Taiwan.

Competition

The solar power market is intensely competitive and rapidly evolving. The number of solar power product manufacturers has rapidly increased due to the growth of actual and forecast demand for solar power products and the relatively low barriers to entry. Our competitors include Motech Industries Inc., Gintech Energy Corporation and JA Solar Holdings Co., Ltd., among others. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. Some of our competitors have become vertically integrated, from upstream silicon wafer manufacturing to solar power system integration. We expect to compete with future entrants to the photovoltaic market that offer new technological solutions. Furthermore, many of our competitors are developing or currently producing products based on new photovoltaic technologies, including silicon thin film, copper indium gallium selenide thin film, ribbon silicon, organic and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies used by us. In addition, the entire photovoltaic industry also faces competition from conventional and non-solar renewable energy technologies. Due to the relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

Many of our existing and potential competitors may have substantially greater financial, technical, manufacturing and other resources than we do, which may provide them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. Such competitors may have stronger bargaining power with suppliers and have an advantage over us in pricing as well as securing silicon wafer supplies at times of shortages. Our competitors may also have greater brand name recognition, more established distribution networks, larger customer bases, more established relationships with existing and potential customers or more extensive knowledge of our target markets. They may also be able to devote greater resources to the research, development, promotion and sale of their products and respond more quickly to evolving industry standards and changes in market conditions than we can.

Environmental Matters

Our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes. We have installed various types of anti-pollution equipment in our facilities to reduce, treat and, where feasible, recycle the wastes generated in our manufacturing process. We are subject to regulation and periodic monitoring by local environmental protection authorities and are required to comply with all ROC national and local environmental protection laws and regulations. We have all necessary ROC environmental permits to conduct our business and we have not faced any material noncompliance issues in respect of any applicable laws and regulations on environmental protection. To promote and implement ideas of environmental protection, we strive to curb any activities that may result in pollution, and we are constantly trying to enhance our energy-use efficiency. Our solar cell products also obtained SGS Certification in 2007 for our compliance with European Union’s Restriction of Hazardous Substances Directive. The hazardous substance content in our solar cell products are much lower than the requirements set forth in the Restriction of Hazardous Substance Directive. We have implemented ISO 14001 environmental management system to actively manage and reduce environmental impacts due to our manufacturing process. Our ISO 14001 environmental management system has been certified by TUY Rheinland Group. In March 2011, we also received the NP-PAS20500 process carbon footprint certification.

Employees

We had 1,557, 3,131 and 3,249 full-time employees as of December 31, 2012 and 2013 and March 31, 2014, respectively. The following table sets forth the number of our manufacturing employees and non-manufacturing employees (including engineers, administrative staff, and managers) as of December 31, 2012 and 2013 and March 31, 2014:

	As of December 31,		As of March 31,
	2012	2013	2014
Manufacturing employee	1,224	2,479	2,549
Non-manufacturing employee	313	652	700
Total	1,557	3,131	3,249

Our continued success is dependent in large part on our ability to attract, retain, train and motivate qualified operational, technical and management personnel. As of March 31, 2014, over 55.7% of our full time employees have received bachelor or higher educational degrees, respectively. We conduct campus recruiting and hire through referrals and job postings on the Internet. We believe that our compensation packages are competitive with those of our competitors.

Our employees are not covered by any collective bargaining agreements. We consider our relationship with our employees to be good. We provide free physical examinations, company trips, employee training and continuing education programs to our fulltime employees. In compliance with ROC law, we also provide health benefits to our employees under the National Universal Health Insurance and the Labor Insurance. As of the date of this Offering Circular, we have not experienced any major labor disputes.

Under the Labor Pension Act which became effective on July 1, 2005, we are obligated to contribute on a monthly basis an amount equal to at least 6% of each employee's monthly wage into an account in each employee's individual name maintained with the Bureau of Labor Insurance. As the pension fund will be deposited in each employee's individual account, such pension fund is portable with each employee.

We have adopted three employee stock option plans since 2005, or the NSP Original Plans. Furthermore, after our acquisition of DelSolar in May 2013, we have inherited six of DelSolar's employee stock option plans, or the DelSolar Legacy Plans, and the employee stock options granted under the DelSolar Legacy Plans may be converted to Shares issued by us. We have reserved a total of 80,000,000 Shares in our Articles of Incorporation for issuance of employee stock options.

For two of the NSP Original Plans adopted in 2005 and 2006 respectively, the options are to vest equally on the first, second, third and fourth anniversary of the issuance. For the NSP Original Plan adopted in 2007, 50% of the options are to vest on the second anniversary following the issuance, with the remaining portion to be vested equally at the third and fourth anniversary from the date of issuance. The employee stock options issued in 2005 and 2006 Original NSP Plans are to be exercised within ten years after the options vest, the employee stock options issued in 2007 Original NSP Plans are to be exercised within six years after the options vest.

For the six DelSolar Legacy Plans originally adopted in 2007, 2009 and 2010, the options are to vest equally on the second, third, fourth and fifth anniversary of the issuance. The employee stock options issued in one DelSolar Legacy Plan adopted in 2007 are to be exercised within six years after the options vest, and the employee stock options issued in the other five DelSolar Legacy Plans are to be exercised within seven years after the options vest.

The exercise price is initially the market price on the issuance date, subject to adjustments for certain dilutive events, and cannot fall below NT\$10. As of March 31, 2014, 9,906,880 options have been granted with 7,715,000 options vested.

Insurance

We maintain property insurance and business interruption insurance policies with reputable insurance companies covering our equipment, facilities, and inventories (including raw materials and products). These insurance policies cover losses due to fire, earthquake, flood and a wide range of other natural disasters. Insurance coverage for our fixed assets other than land amounted to NT\$13,977.7 million, NT\$24,817.8 million (US\$815.0 million) and NT\$25,437.5 million (US\$835.4 million) as of December 31, 2012 and 2013 and March 31, 2014, respectively. We also maintain insurance policies in respect of transit risks for the import of our raw materials, export of our goods and employee casualty insurance. We consider our insurance coverage to be consistent with the market practice in Taiwan. We paid an aggregate of approximately NT\$7.5 million, NT\$15.6 million (US\$0.5 million) and NT\$5.0 million (US\$0.2 million) in insurance premiums in 2012 and 2013 and the three months ended March 31, 2014, respectively.

Legal Proceedings

In October 8, 2008, SilRay Inc., or SilRay, a California based company, brought a suit against us in Hsinchu District Court in Taiwan for US\$1.269 million on the grounds of breach of the solar cell sales agreement between SilRay and us. In the judgment issued on December 28, 2009, the Hsinchu District Court found in favor of SilRay. We filed an appeal with the Taiwan High Court, which was subsequently dismissed on December 7, 2010. We are currently in the process appealing the judgment with the Taiwan Supreme Court. If the Taiwan Supreme Court dismisses our appeal, the judgment will be considered final.

In June 2010, we brought a suit against Sun Q Solar Corporation in the Hsinchu District Court in Taiwan seeking approximately US\$3.5 million in damages on the grounds of breach of outsourcing contract. The Hsinchu District Court ruled in favor of us for the entire amount in June 2013. Sun Q Solar Corporation filed an appeal against such ruling with the Hsinchu District High Court, which is currently in the process of hearing the case.

In December 2010, we entered into a construction agreement and materials purchase agreement with M+W Group for the total amount of NT\$510 million. On September 4, 2013, M+W Group claimed the construction was completed and filed a civil action against us in Hsinchu District Court in April 2013 requesting for the remaining payment of the construction in the amount of approximately NT\$191.2 million plus interests at the rate of 5% per annum. We have submitted pleadings and counter arguments in due course.

We entered into a purchase agreement with OFUNA Industry, Ltd., Nippon Bunkaseiko Cop., and Noritake Co., Ltd. (the “**Counter Party**”) in October 2010. On July 20, 2013, we filed a request for arbitration for disputes arising out of such purchase agreement with the ROC Arbitration Association requesting the Counter Party to return payment in the amount of JPY¥854 million. Under the suggestion of the arbitration panel, we are currently negotiating with the Counter Party with the aim to settle the case.

In December 2013, a U.S. solar company filed petitions with the U.S. Department of Commerce, or the DOC, and the U.S. International Trade Commission, or the ITC, against PRC and Taiwan solar companies for dumping of solar power products and requested anti-dumping duties be imposed on certain crystalline silicon photovoltaic cells and modules imported from the PRC and Taiwan. Acting as one of the representatives of Taiwan solar product manufacturers, we testified at the public hearing held on January 22, 2014 by the ITC, which later approved to commence the preliminary injury investigation and found that U.S. solar industry might have suffered actual injury from the solar products in question. The PRC and Taiwan solar products in questions are being accused of a dumping margin of 165.04% and 75.68%, respectively, and the anti-dumping duties may be imposed retroactively for up to 90 days from the preliminary determination, which the preliminary determination was released in June 2014. According to the preliminary determination of anti-subsidy investigation, modules, laminates or panels assembled in the PRC consisting of cells that are manufactured using ingots or wafer manufactured in the PRC, are subject to countervailing duties of 18.56% to 35.21%. In the previous determination of

anti-dumping and anti-subsidy investigations against the PRC, which was announced in December 2012, only modules using cells manufactured in China are subject to countervailing duties of 14.78% to 15.97%. DOC is expected to release its preliminary determination on the anti-dumping duties in July 2014. We have engaged U.S. legal counsel for the dumping investigation and we are of view that the preliminary determination will not materially and adversely affect our competitiveness and swap the current competitive landscapes among solar cells and modules manufacturers worldwide even if the preliminary determination imposes anti-dumping duties on the solar products in questions.

Except as disclosed above, we are not currently a party to any material legal proceeding. From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business.

Subsidiaries and Significant Investments

We maintain shareholdings in our subsidiaries and investments in other companies or securities for long term strategic investment purposes. The following table sets forth certain information as of March 31, 2014 regarding our principal subsidiaries and significant investments. All issued shares in these subsidiaries and other companies are fully paid and non-assessable:

	<u>Book Value of Our Investments</u>	<u>Value at which We Show Shares Held in Our Accounts</u>	<u>Percentage of Common Shares Owned by Us as of March 31, 2014</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>
	<u>as of March 31, 2014</u>				
	<u>(except otherwise specified, in NT thousands)</u>		<u>(%)</u>		
General Energy Solutions Inc. No.18-1, Guangfu N. Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County 303, Taiwan	920,659	920,659	72.6	July 9, 2009	Electronic component manufacturing and selling
DelSolar (Wujiang) Ltd. No.1688 Jiangxing East Road, Wujiang Economic Development Zone, Jiangsu P.R.C.	US\$116,425	US\$116,425	100.0	July 2, 2009	Solar-related businesses

MANAGEMENT

Directors

ROC Company Act and our Articles provide that our directors are to be elected by our shareholders for three-year terms in an ordinary shareholders' meeting. The chairman is a director elected by and from our board. Our board of directors is responsible for the management of our business. Our Articles provide for a board comprising nine directors, among them at least three and not fewer than one-fifth of the total number of directors shall be independent directors. We currently have two independent directors as one of our independent directors resigned in May 2014.

Directors may serve any number of consecutive terms and may be removed from office at any time for a bona fide reason, including breach of duties, by a resolution adopted at an ordinary shareholders' meeting. Our current directors were elected at the ordinary shareholders' meeting held on May 31, 2013, and their terms expire on May 31, 2016.

The following table shows certain specified information with respect to each director as of March 31, 2014:

Name	Age	Position
Kun-Si Lin	65	Chairman
Sam Chum-Sam Hong	64	Director
Hsueh-Lee Lee ⁽¹⁾	57	Director
Yea-Yih Huang ⁽²⁾	53	Director
Lanford Liu ⁽³⁾	53	Director
Albert Chang ⁽³⁾	53	Director
Shyur-Jen Chien	63	Independent Director
Simon Lin	62	Independent Director

(1) As a representative of China Development Industrial Bank.

(2) As a representative of Taiwan United Venture Capital Corporation.

(3) As a representative of Delta Electronics Inc.

The business address of our directors is our registered address.

Kun-Si Lin is our co-founder and has been our Chairman since 2005 and our Chief Strategic Officer. Mr. Lin was also our Chief Executive Officer from 2005 to January 2013. Mr. Lin was a senior vice president at Taiwan Semiconductor Manufacturing Company Limited before founding our company. Mr. Lin is also currently the Chairman of Fortune Investment Group IC Fund and Rafael Microelectronics, Inc. Mr. Lin graduated with a doctoral degree in business administration from University of Kentucky and received his MBA and bachelor's degrees in electronic engineering from National Chiao Tung University.

Sam Chum-Sam Hong is our co-founder and has served as our director since 2005 and our Chief Executive Officer since January 2013. Dr. Hong was also our President from 2005 to January 2013. Dr. Hong holds a Ph.D. degree in electrical engineering from National Tsing Hua University. Prior to founding our company, Dr. Hong was the Division Director of Photovoltaic Solar Energy Division of the Industry Technology Research Institute and the vice president and plant director of Sinonar Solar Corporation.

Hsueh-Lee Lee has served as our director since 2010. Mr. Lee received a bachelor degree in accounting from Soochow University. Mr. Lee is the vice president of China Development Industrial Bank.

Yea-Yih Huang has served as our director since May 2013. Mr. Huang holds an MBA degree from Columbia University. Mr. Huang also serves as a director of Wafer Works Corp. and Silicon Technology Investment (Cayman) Corp.

Lanford Liu has served as our director since May 2013. Mr. Liu holds an MBA degree of University of Southern California. Mr. Liu also serves as the Chairman of Delta Electronics Capital Company and a director of Trillion Science, Inc.

Albert Chang has served as our director since May 2013. Mr. Chang holds an EMBA degree from National Central University. Mr. Chang also serves as the president and a director of Delta Electronics Inc.

Shyur-Jen Chien has served as our independent director since 2007. Mr. Chien holds a master's degree and a bachelor degree in engineering from Massachusetts Institute of Technology. Mr. Chien is also currently the Chairman of the board of directors of KISmart Corporation, a director of Yageo Corporation, and an independent director of UltraChip, Inc.

Simon Lin has served as our independent director since 2008. Mr. Lin holds a bachelor's degree in computing and control from National Chiao Tung University. Mr. Lin is also currently the chairman and chief executive officer of Wistron Corporation.

Audit Committee

Prior to June 30, 2008, we had three supervisors, each of whom was elected by our shareholders for a three-year term at the ordinary shareholders' meeting. On June 30, 2008, our shareholders' meeting and board of directors resolved to set up an audit committee, which replaced these three supervisors and is responsible for implementing the powers and functions of supervisors required by relevant laws and regulations, including but not limited to, investigation of our business and financial condition, inspection of our corporate records, verification of some statements by our board of directors at shareholders' meetings, calling of shareholders' meetings, representing us in negotiations with our directors and notification, when appropriate, to the board of directors to cease acting in contravention of any applicable law or regulation or in contravention of our Articles or beyond our scope of business. Our audit committee currently consists of Mr. Shyur-Jen Chien and Mr. Simon Lin. In 2013 and the three months ended March 31, 2014, our audit committee held meetings seven times and one time, respectively.

Executive Officers

The following table sets forth certain information relating to our executive officers:

Name	Age	Position
Kun-Si Lin	65	Chairman and Chief Strategic Officer
Sam Chum-Sam Hong	64	Director and Chief Executive Officer
Andy Wei-Jiun Shen	58	President and Chief Operating Officer
Alex Jyh-Chung Wen	52	Senior Vice President of Quality Assurance, Environmental Safety and Health
Marco Hwei-Fong Hu	65	Senior Vice President of Supply Chain Management
Thomas Jacheng Hsu	59	Senior Vice President and Chief Financial Officer
Albert Jen-Yue Wang	55	Senior Vice President of Operations

The business address of our executive officers is our registered address.

Kun-Si Lin is our Chairman and Chief Strategic Officer. Please see above, under "Directors."

Sam Chum-Sam Hong is our director and Chief Executive Officer. Please see above, under "Directors."

Andy Wei-Jiun Shen is our President and Chief Operating Officer. Mr. Shen joined us as Vice President of Worldwide Sales and Marketing in 2008 and became our President and Chief Operating Officer in January 2013. Mr. Shen has over 30 years of industry experience in semiconductor engineering, sales and marketing. Prior to joining our company, Mr. Shen was a senior director in Taiwan

Semiconductor Manufacturing Company Limited and was the president of TSMC Europe B.V. Mr. Shen received a bachelor's degree in physics from National Taiwan University, a master's degree in electrical engineering from Case Western Reserve University and an MBA from Santa Clara University.

Alex Jyh-Chung Wen is our Senior Vice President of quality assurance, environmental safety and health. Mr. Wen joined our company as Executive Vice President in 2005. Mr. Wen has more than 15 years of experience in silicon material technology. Prior to joining our company, Mr. Wen was the manager and laboratory director of Materials Research Laboratories of the Industrial Technology Research Institute. Mr. Wen holds a Ph.D. degree in power mechanical engineering from National Tsing Hua University.

Marco Huei-Fong Hu is our Senior Vice President of Supply Chain Management. Mr. Hu joined us as Senior Vice President of Supply Chain Management in 2009. Mr. Hu has more than 30 years of experience in high-tech production management and general management. Prior to joining our company, Mr. Hu was the president of Tynsolar Corporation. Mr. Hu also previously served as the marketing manager at Hewlett-Packard, Taiwan, Ltd. and as the production manager of Texas Instruments Taiwan Limited. Mr. Hu holds a bachelor's degree in Communication Engineering from National Chiao Tung University.

Thomas Jacheng Hsu is our Senior Vice President and Chief Financial Officer. Mr. Hsu joined us as Senior Vice President and Chief Financial Officer in 2011. Prior to joining our company, Mr. Hsu was the chief financial officer of Tatung Group and InnoLux Display Corporation. Mr. Hsu has more than 25 years of experience in financial and technology industries. Mr. Hsu received a MBA from the University of Michigan.

Albert Jen-Yue Wang is our Senior Vice President of Operation. Mr. Wang joined us as a Senior Vice President of Operation in 2011. Mr. Wang has more than 20 years of experience in the semiconductor industry and six years of experience in PV operation. Prior to joining our company, Mr. Wang was a director in Taiwan Semiconductor Manufacturing Company Limited and an executive vice president at Gintech Energy Corporation. Mr. Wang holds a MBA degree from Leister University.

There have been no transactions that are unusual in their nature or condition between our company and members of our administrative, management and supervisory bodies.

Compensation of Directors and Executive Officers

Our directors and executive officers, each as a group in such capacities, received remuneration and benefits in kind from us of approximately NT\$48.6 million, NT\$74.1 million (US\$2.4 million) and NT\$41.9 million (US\$1.4 million) in 2012 and 2013 and the three months ended March 31, 2014, respectively. As of March 31, 2014, our directors and executive officers, each as a group in such capacities, held an aggregate of 429,000 options, respectively, that were not exercised. There are no outstanding loans granted by us to any of the directors or executive officers and there are no outstanding guarantees provided by us for the benefit of any of the directors or executive officers.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of April 13, 2014, the most recent record date, with respect to the Common Shares owned by each of our ten largest shareholders, according to our records, and by all directors and executive officers as a group:

	Number of Shares Held as of March 31, 2014	Percentage of Shares Held as of March 31, 2014
Principal Shareholders:		
Delta Electronics, Inc.	121,524,872	15.44%
Fubon Life Insurance Co., Ltd.	25,500,000	3.24%
China Development Industrial Bank	14,012,424	1.78%
Yen-Shian Lu	13,076,000	1.66%
ROC Labor Pension Fund (Old Scheme)	12,428,448	1.58%
ROC Labor Pension Fund (New Scheme)	10,752,081	1.37%
ROC Labor Insurance Fund	10,459,694	1.33%
Tungshun Investment Co., Ltd.	9,200,000	1.17%
Quantum Vision Corp.	8,850,313	1.12%
Fidelity Funds	7,948,000	1.01%
Directors and Executive Officers:		
Directors as a group	132,638,000	16.85%
Executive officers as a group	6,463,000	0.82%

RELATED PARTY TRANSACTIONS

We have from time to time engaged in transactions with companies whose management members are partially the same as those of our Company. There are no significant differences in purchase and selling prices between transactions with our related parties and arms-length transactions with our suppliers and customers. There were no unusual transactions in terms of the nature of or conditions contained in such transactions with our directors and executive officers for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 and 2014.

The following summary of significant transactions with related parties are based on the notes to our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2013 and our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2013 and 2014 included elsewhere in this Offering Circular.

Summary of significant related party transactions for the years ended December 31, 2012 and 2013

Trading transactions

Sale of goods			
For the Years Ended December 31,			
	2012	2013	
	NT\$	NT\$	US\$
		(in thousands)	
Related parties in substance	\$10,257	\$940	\$31
Investors with significant influence on certain group entities	—	42	1
Other related parties	—	2,028,654	66,622
	<u>\$10,257</u>	<u>\$2,029,636</u>	<u>\$66,654</u>
Purchase of goods			
For the Years Ended December 31,			
	2012	2013	
	NT\$	NT\$	US\$
		(in thousands)	
Related parties in substance	\$21,631	\$87,968	\$2,889
Utilities			
For the Years Ended December 31,			
	2012	2013	
	NT\$	NT\$	US\$
		(in thousands)	
Related parties in substance	\$—	\$71,219	\$2,339

Accounts receivables

For the Years Ended December 31,			
	2012	2013	
	NT\$	NT\$	US\$
		(in thousands)	
Other related parties	\$—	\$264,427	\$8,684

Accounts payables

	For the Years Ended December 31,		
	2012	2013	
	NT\$	NT\$	US\$
		(in thousands)	
Related parties in substance	\$22,819	\$8,723	\$286
Other related parties	—	62	3
	\$22,819	\$8,785	\$289

Summary of significant related party transactions for the three months ended March, 2013 and 2014

Trading transactions

	Sale of goods		
	Three Months Ended March 31,		
	2013	2014	
	NT\$	NT\$	US\$
		(in thousands)	
Investors with significant influence on certain group entities	\$—	\$197	\$6
Related parties in substance	266	188	6
Other related parties	—	426,361	14,002
	\$266	\$426,746	\$14,014

	Purchase of Goods		
	Three Months Ended March 31,		
	2013	2014	
	NT\$	NT\$	US\$
		(in thousands)	
Related parties in substance	\$40,216	\$2,023	\$66
Investors with significant influence on certain group entities	—	182	6
	\$40,216	\$2,205	\$72

	Utilities		
	Three Months Ended March 31,		
	2013	2014	
	NT\$	NT\$	US\$
		(in thousands)	
Other related parties	\$—	\$30,955	\$1,017

Accounts receivables

	For the Three Months Ended March 31,		
	2013	2014	
	NT\$	NT\$	US\$
		(in thousands)	
Other related parties	\$—	\$477,343	\$15,676
Investors with significant influence on certain group entities	—	207	7
	\$—	\$477,550	\$15,683

Accounts payables

	For the Three Months Ended March 31,		
	2013	2014	
	NT\$	NT\$	US\$
		(in thousands)	
Related parties in substance	\$29,752	\$637	\$21
Investors with significant influence on certain group entities	—	184	6
Other related parties	—	62	2
	\$29,752	\$883	\$29

CHANGES IN SHARE CAPITAL

Changes in our issued share capital since our inception up to May 31, 2014, the most recent record date, are set forth below:

Issue Date	Type of Issue	Number of Shares Issued/(Cancelled)	Number of Shares Outstanding After Issue
August 2005	Initial issuance of 150,000 Shares	150,000	150,000
October 2005	Issuance of 7,595,000 Shares for capital increase	7,595,000	7,745,000
December 2005	Issuance of 52,255,000 Shares for capital increase	52,255,000	60,000,000
December 2006	Issuance of 1,375,000 Shares for employee stock option exercise	1,375,000	61,375,000
January 2007	Issuance of 20,000,000 Shares for capital increase	20,000,000	81,375,000
March 2007	Issuance of 15,000,000 Shares for capital increase	15,000,000	96,375,000
July 2007	Issuance of 50,000 Shares for employee stock option exercise	50,000	96,425,000
October 2007	Issuance of 617,500 Shares for employee stock option exercise	617,500	97,042,500
January 2008	Issuance of 1,460,000 Shares for employee stock option exercise	1,460,000	98,502,500
April 2008	Issuance of 82,500 Shares for employee stock option exercise	82,500	98,585,000
April 2008	Issuance of 20,000,000 Shares for capital increase	20,000,000	118,585,000
September 2008	Issuance of 50,000 Shares for employee stock option exercise and 24,837,926 Shares of retained earnings	24,887,926	143,472,926
November 2008	Issuance of 517,500 Shares for employee stock option exercise	517,500	143,990,426
February 2009	Issuance of 15,500,000 Shares for capital increase	15,500,000	159,490,426
March 2009	Issuance of 785,000 Shares for employee stock option exercise	785,000	160,275,426
August 2009	Issuance of 20,024,383 Shares of retained earnings	20,024,383	180,299,809
September 2009	Issuance of 80,000 Shares for employee stock option exercise	80,000	180,379,809
September 2009	Issuance of 30,000,000 Shares for capital increase	30,000,000	210,379,809
October 2009	Issuance of 302,500 Shares for employee stock option exercise	302,500	210,682,309
April 2010	Issuance of 1,287,500 Shares for employee stock option exercise	1,287,500	211,969,809
May 2010	Issuance of 1,528,500 Shares for employee stock option exercise	1,528,500	213,498,309
August 2010	Issuance of 418,546 Shares for conversion of convertible bonds	418,546	213,916,855
August 2010	Issuance of 485,000 Shares for employee stock option exercise	485,000	214,401,855
October 2010	Issuance of 70,000,000 Shares for capital increase	70,000,000	284,401,855
November 2010	Issuance of 909,810 Shares for conversion of convertible bonds and 392,500 Shares for employee stock option exercise	1,302,310	285,704,165
February 2011	Issuance of 10,973,696 Shares for conversion of convertible bonds and 495,200 Shares for employee stock option exercise	11,468,896	297,173,061

Issue Date	Type of Issue	Number of Shares Issued/(Cancelled)	Number of Shares Outstanding After Issue
February 2011	Issuance of 15,088,763 Shares for conversion of convertible bonds and 367,750 Shares for employee stock option exercise	15,456,513	312,629,574
July 2011	Issuance of 16,020,193 Shares for capital increase	16,020,193	328,649,767
August 2011	Issuance of 100,000,000 Shares for capital increase	100,000,000	428,649,767
September 2011	Issuance of 215,000 Shares for employee stock option exercise	215,000	428,864,767
January 2012	Issuance of 400,000 Shares for employee stock option exercise	400,000	428,904,767
May 2012	Issuance of 410,000 Shares for employee stock option exercise	410,000	429,314,767
September 2012	Issuance of 12,500 Shares for employee stock option exercise	12,500	429,327,267
October 2012	Issuance of 2,948,500 employee restricted Shares	2,948,500	432,275,767
January 2013	Issuance of 28,470,092 Shares for capital increase	28,470,092	460,745,859
March 2013	Cancellation of 68,500 employee restricted Shares	(68,500)	460,677,359
May 2013	Issuance of 45,000 Shares for employee stock option exercise and cancellation of 100,500 employee restricted Shares	(55,000)	460,621,859
June 2013	Issuance of 168,507,504 Shares for merger and acquisition	168,507,504	629,129,363
August 2013	Issuance of 15,000 Shares for employee stock option exercise and cancellation of 794,393 employee restricted Shares	(779,393)	628,349,970
October 2013	Issuance of 3,530,500 employee restricted Shares	3,530,500	631,880,470
November 2013	Issuance of 130,000,000 Shares for capital increase	130,000,000	761,880,470
December 2013	Issuance of 60,000 Shares for employee stock option exercise and cancellation of 257,416 employee restricted Shares	(197,416)	761,683,054
April 2014	Issuance of 15,135,759 Shares for conversion of convertible bonds and 340,000 Shares for employee stock option exercise and cancellation of 129,600 employee restricted Shares	15,006,159	777,029,213
May 2014	Issuance of 10,088,159 Shares for conversion of convertible bonds and cancellation of 33,580 employee restricted Shares	10,054,579	787,083,792

DESCRIPTION OF THE SHARES

The following is a summary of information relating to our share capital, including the material provisions of our Articles, the ROC Securities and Exchange Act and regulations promulgated there under and the ROC Company Act, all as currently in effect.

General

As of the date of this Offering Circular, our authorized share capital registered with the Ministry of Economic Affairs of the ROC is NT\$8,000,000,000, divided into 800,000,000 Common Shares with a par value of NT\$10 per share (of which 80,000,000 Common Shares have been reserved for issuance upon any exercise of employee stock options). As of the date of this Offering Circular, the paid-in capital was NT\$7,870,837,920.

Under the ROC Company Act, any change in our authorized share capital, including decreases in authorized share capital, requires an amendment to our Articles, which in turn requires approval at the shareholders' meeting. Authorized but unissued Common Shares may be issued subject to the ROC Company Act and our Articles, upon terms that the board of directors may determine.

We have adopted three employee stock option plans since 2005 (the "NSP Original Plans"). Furthermore, after we merged DelSolar Co., Ltd. ("DelSolar") in 2013, we have inherited six employee stock option plans from DelSolar (the "DelSolar Legacy Plans"), and the employee stock options granted under the DelSolar Legacy Plans may be converted to the Shares issued by us. We have reserved a total of 80,000,000 shares in our Articles of Incorporation for issuance of employee stock options.

For two of the NSP Original Plans adopted in 2005 and 2006 respectively, the options are to vest equally on the first, second, third and fourth anniversary of the issuance. For the NSP Original Plan adopted in 2007, 50% of the options are to vest on the second anniversary following the issuance, with the remaining portion to be vested equally at the third and fourth anniversary from the date of issuance. The employee stock options issued in 2005 and 2006 Original NSP Plans are to be exercised within ten years after the options vest, the employee stock options issued in 2007 Original NSP Plans are to be exercised within 6 years after the options vest.

For the six DelSolar Legacy Plans originally adopted in 2007, 2009 and 2010, the options are to vest equally on the second, third, fourth and fifth anniversary of the issuance. The employee stock options issued in one DelSolar Legacy Plan adopted in 2007 are to be exercised within six years after the options vest, and the employee stock options issued in the other five DelSolar Legacy Plans are to be exercised within seven years after the options vest.

The exercise price is initially the market price on the issuance date, subject to adjustments for certain dilutive events, and cannot fall below NT\$10. As of March 31, 2014, 9,906,880 options have been granted with 7,715,000 options vested.

Our overseas convertible bonds issued in 2008 have all been converted, and an aggregate of 27,390,765 Common Shares were issued at the conversions. We have one class of Common Shares. Pursuant to the ROC Company Act, a company may not issue preferred stock unless authorized by its articles of incorporation. There is no such authorization in our Articles.

Dividends and Distribution

Pursuant to Article 33 of our Articles, if we have any net profits, or earnings after tax ("Earnings"), we will, after applying the Earnings to the losses suffered in previous years, set aside the required legal reserve and may appropriate a special reserve depending on our operation need and legal requirements.

Our Articles, as recently amended by the shareholders in their meeting on June 11, 2014, provides that after we pay all income taxes, recovers any losses incurred in prior years, set aside 10% of our Earnings as legal reserve, and set aside a special reserve as may be necessary, we may distribute the remaining balance as follows:

- (a) no less than 3% as bonus to employees;
- (b) no more than 2% as remuneration to directors; and
- (c) together with the undistributed profits of previous year, bonus to shareholders.

We will distribute dividends based on the budget for future capital expenditures and our financing needs. Cash dividends should be not less than 10% of the total dividends. At each of our annual ordinary shareholders' meetings, the board of directors submits to the shareholders for their approval any proposal for the distribution of a dividend or the making of any other distribution to shareholders from our Earnings (subject to compliance with the requirements mentioned above) for the preceding fiscal year. All Common Shares issued and outstanding and fully paid as of the relevant record date are entitled to share equally in any dividend or other distribution approved by our shareholders. Dividends may be distributed in cash, in the form of Common Shares or a combination thereof as determined by the shareholders at such meeting, provided that dividends distributed in the form of cash shall be no less than 10% of the total dividends declared. Under current ROC law, cash dividends which are unclaimed for a period of five years from the date of the relevant notice of distribution may no longer be claimed. Such unclaimed cash dividends will, upon expiry of such five-year period, remain our property. However, stock dividends are not subject to any prescription period under ROC law. Thus, uncollected stock dividends will remain in our safekeeping and continue to be claimable by the relevant shareholders.

In addition to dividends paid out of Earnings of a company, the ROC Company Act also permits a company to make distributions to shareholders in the form of additional shares or cash from reserves (including its legal reserve referred to above and certain other reserves). For information as to ROC taxes on cash and stock dividends, see "ROC Taxation." However, the capitalization or cash distribution of the legal reserve can only be effected when there is a profit and the accumulated legal reserve exceeds 25% of the company's paid-in capital. The capitalized portion payable out of our capital reserves may be from the aggregate of the premium from issuing stock, earnings from gifts received and the legal reserve.

New Common Shares and Preemptive Rights

New Common Shares may only be issued with the prior approval of the board of directors. If the issuance of any new shares will result in any change in the authorized share capital, we are also required under the ROC Company Act to amend our Articles and obtain approval of the shareholders. In addition, we must also obtain the approval of, and submit a registration with, the Ministry of Economic Affairs and ROC FSC.

Under the ROC Company Act, when we issue new Common Shares for cash, existing shareholders who are listed on the shareholders' register as of the record date have preemptive rights to subscribe for the new issue in proportion to their existing shareholdings, while our employees, whether or not they are existing shareholders, have a similar right to subscribe for 10% to 15% of the new issue. Any new Common Shares that remain unsubscribed at the expiration of the subscription period may be offered to the public or specific persons at the discretion of our board of directors. Our existing shareholders will not have preemptive rights to subscribe either for the Bonds or for the new Common Shares that may be issued upon the conversion of the Bonds.

In addition, in accordance with the ROC Securities and Exchange Act, when we intend to offer new Common Shares for cash, we must conduct a public offering of at least 10% of the Common Shares to be sold, except under certain circumstances or when exempted by the ROC FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, which would diminish the number of new Common Shares subject to the preemptive rights of existing shareholders. In addition, the preemptive right provisions will not apply to offerings of new shares in certain limited circumstances, such as a private placement approved in a shareholders' meeting.

Meetings of Shareholders

Our annual meeting of shareholders is usually held in Hsinchu City, Taiwan, ROC, as determined by the board of directors, within six months of the end of each calendar year. Extraordinary meetings of shareholders may be convened by resolutions of the board of directors whenever they consider it necessary, and they must do so if requested in writing by shareholders holding not less than 3% of the paid-in capital who have held these shares for more than one year. Notice in writing of annual and extraordinary shareholders' meetings stating the place, time and purpose thereof must be dispatched to each of our shareholders at least 30 days and 15 days, respectively, prior to the date set for the meeting.

Voting Rights

Under the ROC Company Act, a shareholder has one vote for each common share except for treasury shares. Except as otherwise provided by law, a resolution can be adopted by the holders of at least a majority of the Common Shares represented at a shareholders' meeting at which the holders of a majority of all issued and outstanding Common Shares are present. In accordance with the ROC Company Act, the election of directors and supervisors at a shareholders' meeting is by means of cumulative voting. In all matters, except for the election of directors and supervisors, a shareholder must cast all of his votes in the same direction unless such shareholder is recognized by the ROC FSC to hold shares on behalf of multiple beneficial owners. Candidates for the offices of directors and supervisors may be nominated at the shareholders' meeting at which ballots for the election are cast.

Moreover, as authorized under the ROC Company Act, we have adopted a nomination procedure for election of our independent directors in our Articles. According to our Articles, ballots for the election of directors and independent directors are cast separately. Any shareholder who has a personal interest in a matter to be discussed at the shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights on behalf of another shareholder on such matter. Under the ROC Company Act, the approval by at least a majority of the shares represented at a shareholders' meeting in which a quorum of shareholders holding at least two-thirds of all issued and outstanding shares is present is required for major corporation actions, including:

- amendment to the Articles (which is required, inter alia, for any increase in authorized share capital);
- transfer of the whole or a substantial part of our business or assets;
- execution, amendment or termination of any contract that leases our entire business, mandates our operation to other persons, or operates the business frequently for the joint interest of us and other persons;
- taking over of the entire business or assets of any other company which would have a significant impact on our operations;
- distribution of any stock dividend;
- dissolution or amalgamation of a company;
- merger or spin-off; and
- removal of directors or supervisors.

Alternatively, the ROC Company Act provides that in the case of a public company, such as us, a resolution may be adopted by the holders of at least two-thirds of the shares represented at a meeting of shareholders at which holders of at least a majority of issued and outstanding shares are present. However, if a controlling company holds not less than 90% of its subordinate company's outstanding shares, the controlling company's merger with the subordinate company can be approved by a board resolution adopted by majority consent at a meeting with two-thirds of directors present.

A shareholder may be represented at an ordinary or extraordinary meeting by proxy if a valid proxy form is delivered to us at least five days before the date fixed for the ordinary or extraordinary shareholders' meeting. In the case of a public company, except for trustee enterprises or stock affair agents approved by the ROC FSC, where (i) a person who holds proxies for two or more shareholders who together hold more than 3% of the total issued shares, or (ii) a person who holds proxies for three or more shareholders who together hold more than four times of such authorized person's own shares, the votes of those shareholders in excess of 3% of the outstanding shares or four times of such authorized person's own shares (as applicable) shall not be counted. Voting rights attached to our shares exercised through a proxy are subject to the proxy regulations promulgated by the ROC FSC.

Under the ROC Company Act, we may set a record date and shall close the register of shareholders for a specified period immediately prior to and including the record date in order to determine the shareholders or pledgees that are entitled to rights pertaining to the shares. The specified period required for the respective record date is as follows:

- ordinary shareholders' meeting — sixty days;
- extraordinary shareholders' meeting — thirty days; and
- relevant record date for distribution of dividends, bonuses or other interests — five days.

Other Rights of Shareholders

Under the ROC Company Act, our dissenting shareholders are entitled to appraisal rights in the event of amalgamation, spin-off and various other major corporate actions within 20 days of a shareholders' resolution approving the event. A dissenting shareholder may request us to redeem all of the shares owned by such shareholder at a fair price to be determined by mutual agreement. If an agreement cannot be reached, the valuation will be determined by a court order. For amalgamation or spin-off, a dissenting shareholder may exercise its appraisal right by serving written notice on us before or during the related shareholders' meeting or by raising and registering its objection in the shareholders' meeting. For other major corporate actions, a dissenting shareholder may exercise its appraisal right by serving written notice on us before the related shareholders' meeting and by raising and registering its objection in the shareholders' meeting.

In addition to appraisal rights, within 30 days after the date of the shareholders' meeting, any shareholder has the right to annul any resolution adopted at a shareholders' meeting where the procedures or the method of resolution were or was legally defective. However, if the court is of the opinion that such violation is not material and does not affect the result of the resolution, the court may reject or dismiss the shareholder's lawsuit. If the substance of a resolution adopted at a shareholders' meeting contradicts any applicable law or regulation or our Articles, a shareholder may bring a suit to determine the validity of such resolution.

Shareholders may bring suit against directors and supervisors under the following circumstances:

- Shareholders who have continuously held 3% or more of the total number of issued and outstanding shares for a period of one year or longer may request in writing that a supervisor/audit committee member institute an action against a director on our behalf. In case the supervisor/audit committee member fails to institute an action within 30 days after receiving such request, the shareholders may institute an action on our behalf. In the event that shareholders institute an action, a court may, upon application of the defendant, order such shareholders to furnish appropriate security.
- Shareholders holding 3% or more of the total number of issued and outstanding shares may institute an action with a court to remove a director who has materially violated the applicable laws or our Articles or has materially damaged our interests if a resolution for removal on such grounds has first been voted on and rejected by the shareholders and such suit is filed within 30 days of such shareholders' vote.

- In the event that any director, supervisor, officer or shareholder holds more than 10% of the issued and outstanding shares and their respective spouse and minor children and/or nominees sells shares within six months after the acquisition of such shares, or repurchases the shares within six months after the sale, we may make a claim for recovery of any profits realized from the sale and purchase. If the board of directors or the supervisors fails or fail to make a claim for recovery, any shareholder may request the board of directors or the supervisors to make such claim within 30 days. After such 30-day period, the requesting shareholder will have the right to make a claim for such recovery, and our directors and supervisors will be jointly and severally liable for damages suffered by us as a result of their failure to exercise the right of claim.

In addition, one or more shareholders who have held more than 3% of our issued and outstanding shares for more than a year may require our board of directors to convene an extraordinary shareholders' meeting by sending a written request to the board of directors. The ROC Company Act allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing for discussion at the ordinary meeting of shareholders. The ROC Company Act also provides that a company may adopt a nomination procedure for election of directors or supervisors. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. Our Articles currently adopt such nomination procedure for the election of our independent directors.

Annual Financial Statements

For a period of at least 10 days before the ordinary shareholders' meeting, our annual audited financial statements must be available at our principal office and our share registrar, for inspection by the shareholders. According to the regulations of the ROC FSC, starting from 2008 we are required to publish our annual, semiannual and quarterly financial statements on a consolidated basis.

Transfers of Common Shares

Under the ROC Company Act, a public company, such as us, may issue individual share certificates, one master or no certificate at all to evidence Common Shares. Under the ROC Company Act, when individual share certificates are issued and delivered to the shareholders, the transfer of the shares (in registered form) is effected by endorsement and delivery of share certificates. Under the ROC Securities and Exchange Act and the relevant regulations, public companies listed on the TWSE and Gre Tai Securities Market are required to issue scripless shares and the settlement of trading of the shares will be carried out on the book-entry system maintained by the Taiwan Depository and Clearing Corporation. In order to assert shareholders' rights against us, the transferee must have his name and address registered on our register of shareholders. Shareholders are required to register their respective specimen seal or chop with us.

Acquisition by Us of Our Own Shares

Under the ROC Company Act, an ROC company could not acquire its own shares except for minor exceptions. In addition, under the ROC Securities and Exchange Act, we may, pursuant to a board resolution adopted by majority consent at a meeting attended by more than two-thirds of the directors and pursuant to the procedures prescribed by the ROC FSC, purchase our shares on the TWSE or by a tender offer for the following purposes:

- for transfer of shares to our employees;

- to meet the exercise of conversion rights for shares by holders of bonds with warrants, preferred shares with warrants, convertible bonds, convertible preferred shares or certificates of warrants issued by us; and
- for maintaining our credit and our shareholders' equity, if necessary.

Shares purchased by us for the purpose set out in the first two items of the preceding paragraph shall be transferred to the intended transferees within three years of the relevant purchase, failing which they will be canceled and we will be required to complete and amend registration for the cancellation. Shares purchased by us for the purpose set out in the last item of the preceding paragraph shall be canceled, and we are required to amend the registration of our issued paid-in capital to reflect such cancellation within six months of such purchase.

The total shares so purchased by us shall not exceed 10% of our total issued and outstanding shares. In addition, the total amount for purchase of the shares shall not exceed the aggregate amount of the retained earnings, the premium from stock issues and the realized portion of the capital reserve.

The shares purchased by us shall not be pledged or hypothecated. In addition, we may not exercise any shareholders' rights attaching to such shares. Our affiliates (as defined in Article 369-1 of the ROC Company Act), directors, managers and their respective spouses and minor children and/or nominees are prohibited from selling the shares held by them during the period in which we purchase our own shares.

In addition to the share purchase restriction, the ROC Company Act further provides that our subsidiary may not acquire our shares if the majority of the outstanding voting shares or paid-in capital of such subsidiary is directly or indirectly held by us. As of the date of this offering circular, we do not hold any of our Common Shares in treasury.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to holders of preferred shares, if any, will be distributed pro rata to the shareholders in accordance with the ROC Company Act.

Transfer Restrictions

The number of shares that each of our directors, managers or major shareholders (i.e., a shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of the shares) can sell or transfer per day on the TWSE is limited by the ROC Securities and Exchange Act. Further, they may sell or transfer the shares on the TWSE only after reporting to the ROC FSC at least three days before the transfer, provided that such reporting is not required if the number of shares transferred does not exceed 10,000.

Limitation on Shareholdings in Us and Reporting Obligations

The ROC Securities and Exchange Act requires each director, supervisor, manager or major shareholder (i.e., a shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of our issued shares) to report any change in that person's shareholding to us before the fifth day of each month and we shall report the same to the ROC FSC before the fifteenth day of each month. Such persons are also required to report to us immediately the pledge of their shares, and we shall report the same to the ROC FSC within five days from the pledge date. A person who individually or together with other persons (as defined under the ROC FSC regulations) acquires more than 10% of our issued and outstanding shares shall report to the ROC FSC, within ten days from the acquisition date, the acquisition purpose, funding sources and other information required by the ROC FSC.

Register of Shareholders

Chinatrust Commercial Bank Co., Ltd. currently acts as our share registrar and maintains our register of shareholders at its offices in Taipei, Taiwan, and enters transfers of shares in such register upon presentation of, among other documents, certificates in respect of the transferred shares. The registered office of our share registrar is at 6F, No. 83, Section 1, Chong-Qing South Road, Taipei, Taiwan.

DESCRIPTION OF THE BONDS

The following is a description of the terms and conditions of the Bonds (except for the sentences in italics), which includes summaries of, and is subject to, the more detailed provisions of the Indenture referred to below.

The issue of the US\$120,000,000 aggregate principal amount of credit enhanced currency linked zero coupon convertible bonds due 2017 (the “**Bonds**”, which shall include, unless the context requires otherwise, any further Bonds issued in accordance with the Indenture (as defined below) and consolidated and forming a single series therewith) of Neo Solar Power Corporation (the “**Company**”) was authorized by a resolution of the board of directors of the Company adopted on March 18, 2014. The Bonds will be constituted by an indenture (the “**Indenture**”) dated on or about July 18, 2014 (the “**Issue Date**”) between the Company and Citicorp International Limited, as trustee (the “**Trustee**”, which term shall include all persons for the time being appointed as trustee or trustees under the Indenture) for the holders of the Bonds. The Company will also enter into a paying, conversion and transfer agency agreement (the “**Agency Agreement**”) dated the Issue Date with Citibank, N.A., London Branch, as the registrar (the “**Registrar**”) and as the principal paying agent, conversion agent and transfer agent (the “**Principal Agent**”) and any other paying agents, conversion agents and transfer agents appointed thereunder (each a “**Paying Agent**,” “**Conversion Agent**” and “**Transfer Agent**” and together with the Principal Agent and the Registrar, the “**Agents**”) in relation to the Bonds. The registrar, principal paying agent, conversion agent and transfer agent, paying agents, conversion agents and transfer agents for the time being are referred to below as the “**Registrar**”, the “**Principal Agent**”, the “**Paying Agents**” (which expression shall include the Principal Agent), the “**Conversion Agents**” (which expression shall include the Principal Agent) and the “**Transfer Agents**” (which expression shall include the Principal Agent and the Registrar), respectively. Approval-in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Copies of the Indenture, the Agency Agreement and the Letter of Credit (as defined below) are available for inspection during normal business hours at the principal office of the Trustee and at the specified offices of each of the Agents. The holders of the Bonds are entitled to the benefit of the Indenture and are bound by, and are deemed to have notice of, all of the provisions of the Indenture, the Agency Agreement and the Letter of Credit.

1. Status and Letter of Credit

(A) Status

The Bonds constitute direct, unconditional, unsubordinated and, subject to the negative pledge provisions of Condition 3, unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves and, subject to the negative pledge provisions of Condition 3, with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, except as may be required by mandatory provisions of law. In addition, the common shares of the Company, par value NT\$10 per share (the “**Shares**”) issuable upon conversion of the Bonds will rank *pari passu* with all of our Shares outstanding as of the date of conversion of the Bonds.

(B) Letter of Credit

The Bonds will have the benefit of an irrevocable standby letter of credit (the “**Letter of Credit**”) issued in favor of the Trustee, on behalf of the holders of the Bonds, by ING Bank N.V., acting through its Taipei Branch (or any replacement therefor) in accordance with the terms of the Letter of Credit (the “**LC Bank**”) pursuant to a reimbursement agreement (the “**Reimbursement Agreement**”) dated on or about July 10, 2014 between, *inter alios*, the Company, the LC Bank and certain other banks and financial institutions (including ING Bank N.V., Taipei Branch) (the “**Reimbursement Banks**”). The Letter of Credit shall be drawable by the Trustee as beneficiary under the Letter of Credit on behalf of the holders of the Bonds upon the presentation of a notice of drawing from the Trustee to the effect that (i) the Company has failed to pay in respect of the Bonds (a) the Settlement Equivalent of principal amount of the Bonds on the Maturity Date (as defined in Condition 8(A)) or (b) in the case of redemption or repurchase pursuant to any of Conditions 8(B),

8(D), 8(E) or 8(G), the Settlement Equivalent of the Early Redemption Amount as at the date fixed for redemption or repurchase, or (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has, after having received the prior consent of the LC Bank (if required in accordance with Condition 10), given notice to the LC Bank that the Bonds are immediately due and payable in accordance with Condition 10. The Trustee shall (unless otherwise instructed by the holders of the Bonds) as soon as practicable following receipt of notice in writing from the Principal Agent of the failure of the Company to make any payment due under these Conditions and to the extent that such payments are covered by the Letter of Credit, draw upon the Letter of Credit in accordance with the terms thereof and this Condition 1, provided that (i) the Trustee shall not be obliged, and shall incur no liability for failing, to draw down on the Letter of Credit unless it has received such notice from the Principal Agent and (ii) the Trustee need not physically present the Letter of Credit to the LC Bank and shall be entitled to draw down on the Letter of Credit by way of notice sent by facsimile in accordance with the terms of the Letter of Credit.

Every payment of any sum due in respect of the Bonds made under the Letter of Credit shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Company in respect of such payments.

The stated amount of the Letter of Credit will be limited to NT\$3,586,800,000 (being US\$120,000,000 being converted into New Taiwan Dollars at the Fixed Exchange Rate (as defined in Condition 7(A)), for payment of the Settlement Equivalent of principal of, and premium on the Bonds, as from time to time reduced by redemption, repurchase or conversion or purchase and cancellation and less any amounts drawn under the Letter of Credit.

The Letter of Credit expires on the date falling three years and 30 days after the Issue Date unless:

- (i) the Bonds are not issued by the date falling five (5) Bond Business Days (as defined in the Letter of Credit) after the date of the Letter of Credit (or such later date as the LC Bank may agree in writing with the Trustee and the Company), in which case the Letter of Credit shall expire at 5.00 p.m. (Taipei time) on that fifth Bond Business Day (or, as applicable, at 5.00 p.m. (Taipei time) on such later date as may have been so agreed);
- (ii) the principal amount of the Bonds has been reduced to zero and no further premium remains payable but unpaid, in which case the Letter of Credit shall expire on the date on which the LC Bank receives notice in writing of the same from the Trustee or the Principal Agent;
- (iii) any clause of the Indenture or Condition 1, 3, 5, 6, 7, 8 or 10 is amended, waived, supplemented or varied without the prior written consent of the LC Bank, in which case the Letter of Credit shall expire on the date such amendment, waiver, supplement or variation is effective; or
- (iv) following the delivery of an LC Redemption Event Notice (as defined in Condition 8(G)) by the LC Bank to the Trustee, the Letter of Credit is not drawn down by the Trustee in accordance with Condition 8(G), in which case the Letter of Credit shall expire on the date which is 41 days from the date of delivery of such LC Redemption Event Notice to the Trustee.

Each drawing on the Letter of Credit will be payable within seven Bond Business Days (as defined in the Letter of Credit) following due presentation in accordance with the terms of the Letter of Credit.

None of the Trustee nor the Agents will be obligated to take any action unless it has been indemnified and/or secured to its satisfaction.

2. Form, Denomination and Title

(A) Form and Denomination

The Bonds will be issuable only in registered book-entry form and only in denominations of integral multiples of US\$100,000. The Bonds shall initially be represented by the Global Bond and only under the limited circumstances described in Condition 18, the Global Bond and the Indenture shall definitive bond certificates (each a “**Certificated Bond**”) be issued to the Bondholders to represent their individual holdings. Each Certificated Bond, if issued, will have an identifying number which will be recorded on the relevant Certificated Bond and in the register of Bondholders that the Company will cause to be kept by the Registrar.

(B) Title

The Bonds will be registered instruments, title to which will pass only by registration in the register of the Bonds (the “**Bond Register**”). Each Bondholder will be treated as the owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Bond) and neither the Company nor the Trustee nor any agent thereof shall be affected by notice to the contrary. In these Conditions, “**Bondholder**” and “**Holder**” in relation to a Bond means the person in whose name a Bond is registered on the Bond Register.

3. Negative Pledge

So long as any of the Bonds remain outstanding (as defined in the Indenture), neither the Company nor any of its Principal Subsidiaries shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Company’s or the Principal Subsidiary’s obligations under the Bonds and the Indenture (i) are secured equally and ratably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Indenture) of the Bondholders.

For the purposes of these Conditions:

“**Principal Subsidiary**” means any Subsidiary (as defined below) of the Company:

- (i) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited income statement exceed 10% of the consolidated gross revenues as shown by the then latest published audited consolidated income statement of the Company and its Subsidiaries;
- (ii) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Company and its Subsidiaries) as shown by its latest audited balance sheet exceed 10% of the gross consolidated assets of the Company and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Company and its Subsidiaries; or
- (iii) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i) above.

References to the audited income statement and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated income statement and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such income statement or balance sheet is required by law to be produced or is not produced when the Subsidiary becomes a Principal Subsidiary, to a pro forma income statement or balance sheet, prepared by the Auditors (as defined in the Indenture) for the purpose of such determination.

“International Investment Securities” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures (debentures for this purpose shall exclude, for the avoidance of doubt, fixed or floating charges, loan agreements or other documents creating or evidencing indebtedness that are not commonly known as securities), loan stock or other similar securities that (i) either are, by their terms, payable, or confer a right to receive payments, in any currency other than NT Dollars or are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the authorization of the Company or any of its Principal Subsidiaries thereof and (ii) are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over the counter or other securities market but excluding any such indebtedness that has a stated maturity of not exceeding one year.

“Subsidiary” means any company or other business entity more than 50% of the issued share capital or other ownership interest of which is for the time being owned, directly or indirectly, by the Company.

4. Transfers of Bonds; Issue of Certificated Bond

(A) Transfer

A Bond may be transferred as follows: (i) in the case of a Bond represented by a Certificated Bond, by depositing such Certificated Bond during normal business hours at the specified offices of any Transfer Agent, with the form of transfer on the back of such Certificated Bond duly completed and signed, or (ii) in the case of a Bond represented by the Global Bond, by delivery at such specified office of the Trustee and the Registrar or any of the Transfer Agents a form of transfer duly completed and executed, and any other evidence that such Transfer Agent may require. The Registrar and any Transfer Agent may decline to effect any exchange or transfer of a Bond (i) during the period of 15 days ending on (and including) the due date for any payment of the principal of and premium and other amounts of such Bond, (ii) after such Bond has been drawn for redemption under, and notice thereof is given pursuant to, Condition 8(C) or (iii) in respect of which a Conversion Notice (as defined in Condition 6(B)) has been delivered in accordance with Condition 6(B).

(B) Delivery of New Certificated Bonds

Each new Certificated Bond to be issued on the transfer of a Bond will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificated Bond and the form of transfer, be mailed at the risk of the Bondholder entitled to the Bond to the address specified in the form of transfer. Where some but not all the Bonds in respect of which a Certificated Bond is issued are to be transferred, converted or redeemed, a new Certificated Bond in respect of the Bonds not so transferred, converted or redeemed will, within five business days of deposit or surrender of the original Certificated Bond with or to the Registrar or the relevant Transfer Agent, Conversion Agent or Paying Agent, be mailed at the risk of the Bondholder of the Bonds not so transferred, converted or redeemed to the address of such Bondholder appearing on the Bond Register.

For the purposes of this Condition 4, **“business day”** means a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar, the relevant Transfer Agent, Conversion Agent or Paying Agent with whom a Certificated Bond is deposited or surrendered in connection with a transfer, conversion or redemption is located.

(C) Formalities Free of Charge

No service charge shall be made for any registration of transfer or exchange of Bonds, provided that the Company or any of the Transfer Agents may require payment of a sum sufficient to cover any tax or other governmental charges that may be imposed and such transfer shall not be made unless and until the required payment described herein is made.

(D) Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds attached as a schedule to the Agency Agreement. A copy of the current regulations will be mailed (or sent via facsimile) by the Registrar to any Bondholder upon request.

(E) Change of Transfer Agent

The Company reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Transfer Agent and to appoint additional or other Transfer Agents, in each case in accordance with the Agency Agreement. The Company will, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the rules of that exchange so require, maintain a Transfer Agent having an office in Singapore. Notice of any such termination or appointment and of any changes in the specified offices of the Transfer Agents will be given promptly by the Company to the Bondholders in accordance with Condition 15.

5. Interest

The Bonds do not bear any interest.

6. Conversion

(A) Conversion Right

(i) Conversion Period

At any time during the Conversion Period referred to below on and subject to the terms set forth herein (the “**Conversion Right**”) and the terms of the Agency Agreement, each Bondholder has the right hereunder to convert its Bonds into Shares.

Subject to and upon compliance with the provisions of this Condition 6, the Conversion Right attaching to any Bond may be exercised, at the option of the Bondholder and as and to the extent provided herein, at any time on or after August 27, 2014, which is the 40th calendar day after the Issue Date, up to and including the close of business (at the place where such Bond is deposited for conversion) on July 8, 2017, which is the 10th calendar day prior to the Maturity Date (or if such day shall not be a business day at such place, on the immediately preceding business day at such place, but in no event thereafter), or, if such Bond shall have been called for redemption prior to July 8, 2017, which is the 10th calendar day prior to the Maturity Date, then up to and including the close of business (at the place aforesaid) on the fifth business day prior to the date fixed for redemption thereof (or if such day shall not be a business day at such place, on the immediately preceding business day at such place) (the “**Conversion Period**”); *provided, however*, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period.

“**Closed Periods**” or a “**Closed Period**” mean (i) the 60-day period prior to the date of any of the Company’s annual general shareholders’ meetings; (ii) the 30-day period prior to the date of any of the Company’s special shareholders’ meetings; (iii) the five-day period prior to the record date for distribution of dividends, bonus or other benefits; (iv) the period beginning on the 15th Trading Day (as defined below) prior to the 5th day before the record date for the distribution of stock or cash dividends or subscription of new shares to the date ending on (and including) such record date; (v) the period beginning on the record date of a capital reduction to one day prior to the Trading Day on which the shares of the Company are reissued after such capital reduction; and (vi) such other periods during which the Company may be required to close its stock transfer books or not to issue new shares under ROC laws and regulations applicable from time to time.

For the purposes of this Condition 6:

“**business day**” means a day other than Saturday or Sunday on which banks are open for business in New York, London, Hong Kong or the city in which (1) the specified office of the Registrar, if a Certificated Bond is deposited in connection with a transfer, is located, (2) the relevant Transfer Agent, Conversion Agent or Paying Agent, if a Certificated Bond is deposited, in connection with a transfer, or a notice of conversion is deposited in connection with a conversion, is located, or (3) the Company and the ROC share registry of the Company, if a notice of conversion is deposited in connection with a conversion or for the purpose of calculating the Closed Period, is located.

The Company shall procure that the Bondholders are given at least seven days’ prior notice of any Closed Period in accordance with Condition 15.

(ii) Number of Shares Delivered on Conversion

The number of Shares to be delivered upon conversion of any Bond will be determined by the Company by dividing the NTD Equivalent (as defined in Condition 7(A)) of the principal amount of the Bonds by the Conversion Price (as defined below) then in effect on the Conversion Date (as defined in Condition 6(B)(ii)). If more than one Bond shall be deposited for conversion at any one time by the same holder of the Bonds, the number of Shares to be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Bonds so deposited. On conversion, the right of the converting Bondholder to repayment of the principal and other amounts of the Bond to be converted shall be extinguished and released.

(iii) Fractions of Shares

Fractions of Shares will not be issued on conversion, and the Company will, upon conversion of the Bonds, pay cash in U.S. Dollars in a sum equal to such portion of the principal amount of the Bond or Bonds deposited for conversion as corresponds to any fraction of a Share not delivered as aforesaid, net of remittance and other processing fees, rounding to 0.01 U.S. Dollar with 0.005 being rounded upwards. For the purpose of calculating the amount of such payment, the Company shall use the Fixed Exchange Rate.

(iv) Conversion Price

The price used by the Company in determining the number of Shares to be issued upon conversion (the “**Conversion Price**”) will initially be NT\$39.05 per Share. The Conversion Price will be subject to adjustment in the manner provided in Condition 6(C).

(v) Revival on Default

Notwithstanding the provisions of Condition 6(A)(i), if the Company defaults in making payment in full in respect of any Bond that has been called for redemption prior to

the Maturity Date on the date fixed for redemption thereof, the Conversion Right attaching to such Bond will continue to be exercisable up to, and including, the close of business (at the place where the Certificated Bond evidencing such Bond is deposited for conversion) on the date upon which the full amount of the monies payable in respect of such Bond has been duly received by the Trustee and the Principal Paying Agent and notice of such receipt has been duly given to the Bondholders.

(B) Conversion Procedure

(i) Conversion Notice

To exercise the Conversion Right attaching to any Bond, a Bondholder must complete, execute and deposit at his own expense between 9:00 a.m. and 3:00 p.m. (local time at the specified office referred to below) on any business day during the Conversion Period at the specified office of any Conversion Agent outside the ROC at which the Bond is presented for conversion a notice of conversion (a “**Conversion Notice**”) in duplicate, duly completed and signed, in the then current form obtainable from the specified office of any Conversion Agent or Paying Agent that maintains an office in Singapore, together with the relevant Bond and any certificates and other documents as may be required under the law of the ROC or the jurisdiction in which such Conversion Agent shall be located.

A Conversion Notice once deposited may not be withdrawn without the consent in writing of the Company. Bondholders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the business day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be deemed as the Conversion Date (as defined below) for such Bonds. A converting Bondholder shall retain the rights of a Bondholder with respect to the Bonds until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price then in effect on the Conversion Date.

No Shares or beneficial interests therein will be delivered to a converting Bondholder unless such Holder satisfies the foregoing conditions. If such Bondholder is unable or otherwise fails to satisfy the foregoing conditions, such Bondholder may transfer its Bond or beneficial interest therein subject to compliance with the transfer restrictions set forth in the Agency Agreement. See “Transfer Restrictions.”

(ii) Taxes and Expenses; Deposit Date and Conversion Date

As conditions precedent to conversion, a Bondholder must pay to the relevant Conversion Agent all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the jurisdiction in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issuance of Shares or any other property or cash upon conversion to, or to the order of a person other than, the converting Bondholder. Except as aforesaid, the Company will pay the expenses arising in the ROC on the issue of Shares on conversion of Bonds and all charges of the Conversion Agents in connection therewith as provided in the Agency Agreement.

The date on which any Bond and the Conversion Notice (in duplicate) relating thereto are deposited with a Conversion Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the “**Deposit Date**.” The “**Conversion Date**” applicable to a Bond means the day next following the Deposit Date, which day both is a Trading Day (as hereinafter defined in Condition 6(C)) and falls during the Conversion Period.

(iii) Holders of Record

With effect from the opening of business in the ROC on the Conversion Date, the Company will deem the person designated in the Conversion Notice to have become the

holder of record of the number of Shares to be delivered upon such conversion (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective) and at such time, subject to Condition 6(B)(iv) — Delivery of Shares, the rights of such converting Bondholder as a Bondholder with respect to the Bonds deposited for conversion shall cease (except rights arising under Condition 6(B)(v) — Retroactive Adjustment of Conversion Price).

(iv) Delivery of Shares

On the Conversion Date, the Company shall register the converting Holder (or its designee) in the Company's register of shareholders as the owner of the number of Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to applicable laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system maintained by the Taiwan Depository and Clearing Corporation for the relevant Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments or other documents (if any) as may be required by law to effect the delivery thereof.

(v) Retroactive Adjustment of Conversion Price

If (a) the Conversion Date in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to Condition 6(C) and the provisions of the Indenture; and (b) the relevant Conversion Date falls on a date when the relevant adjustment has not been reflected in the Conversion Price, the Company shall, within 20 days after the effective date of such adjustment of the Conversion Price, issue and deliver such number of Shares to the person designated in the Conversion Notice as is equal to the excess of the number of Shares that would have been required to be issued and delivered on conversion of such Bond if the relevant retroactive adjustment had been made as at the said Conversion Date over the number of Shares previously transferred pursuant to such conversion, and in such event and in respect of such number of Shares referenced in Condition 6(B)(iv) (Delivery of Shares) to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively).

(vi) Dividends and Other Entitlements

Each Bondholder will not have any right to receive or be paid any dividends declared on the Shares unless such Bondholder has exercised the Conversion Right in accordance with the procedures set forth in Conditions 6(B)(i) (Conversion Notice) and 6(B)(ii) (Taxes and Expenses; Deposit Date and Conversion Date). A converting Bondholder's right to receive dividends declared on the Shares which are delivered to the person designated in the Conversion Notice upon conversion of a Bond or Bonds will begin on the Conversion Date. The Shares issued on conversion of the Bonds will in all respects rank *pari passu* with the Shares outstanding on the date on the relevant Conversion Date (except for any right or distribution the record date for which falls on or precedes such Conversion Date and except for any other right excluded by mandatory provisions of applicable law).

(vii) Restrictions on Shareholding of PRC persons

ROC laws contain restrictions on PRC persons' conversion of the Bonds or to register as our shareholders. Pursuant to the Regulations Governing the Approval of Investment in Taiwan by PRC Persons and its implementing rules, only those businesses enumerated in the

“positive list” may be directly invested by PRC persons. The Company is in the business of manufacturing solar power cells, and under the “positive list”, if a PRC person wants to invest in the business of manufacturing solar power cells, such PRC person must present its industrial cooperation strategy and apply for approval with the Ministry of Economic Affairs and such PRC person may not have any control in the invested business. Therefore, a PRC person’s direct investment in the Company is prohibited without the aforementioned approval from the Ministry of Economic Affairs (“MOEA”). Here, “**PRC person**” means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

Besides, under the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors (the “**Mainland Investors Securities Investment Regulation**”), only qualified institutional investor which have been approved by the competent authority of the securities industry of the Mainland Area (the “**QDIIs**”) are permitted to engage in securities investment or futures trading in Taiwan.

Accordingly, only the QDIIs or other PRC investors with prior approvals of the MOEA may exercise the conversion rights subject to the Mainland Investors Securities Investment Regulation or the scope of the MOEA approval. Pursuant further to the FSC’s ruling dated December 27, 2010 (Ref. No.: Jing-Guan-Zheng-Zi No. 0990067043), the custodian bank for a QDII shall apply for remittance quota with the TWSE, the maximum quota available for each QDII is US\$100 million.

Subject to the compliance with the above regulatory requirements, only a PRC QDII or a PRC investor with MOEA approval may exercise the conversion rights in accordance with the relevant laws and regulations, and restrictions described above may cause a Bondholder who is a PRC person to be unable to convert and hold the Shares issuable upon conversion of the Bonds.

(viii) ROC Procedures for Foreign Nationals Holding the Shares

Under the existing ROC law, a non-ROC converting Bondholder, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Bondholder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders’ rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Bondholder must also appoint a custodian bank in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Bondholder is required to appoint a tax guarantor, in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Bondholder would not be able to hold or sell or otherwise transfer the Shares into which the Bonds may be converted on the TWSE or otherwise.

(C) Adjustments to Conversion Price

(i) Antidilution Adjustments

The Conversion Price shall be subject to adjustment as follows:

(a) Declaration of Dividend in Shares or Free Distribution or Bonus Issue of Shares

- (i) If the Company shall declare a dividend in Shares or make a free distribution or bonus issue of Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of capital reserves), then the Conversion Price in effect on the date when such dividend and/or distribution is declared (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive such dividend and/or distribution, on such record date) shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times [N / (N + n)]$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard in this case and in each subsection mentioned below to subsection (q) below) at the time of distribution of such dividend, free distribution and/or bonus issue.

n = the number of Shares to be distributed to the shareholders as a dividend, free distribution and/or bonus issue.

- (ii) An adjustment made pursuant to this subsection (a) shall become effective on the record date for determination of shareholders entitled to receive such dividend and/or distribution; provided that in the case of a bonus issue of Shares or capitalization of reserves which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such dividend and/or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

(b) *Reduction of Share Capital*

- (i) If the Company shall reduce its share capital other than by means of canceling any Shares held in treasury or repurchasing any Shares for the purpose of holding such Shares in treasury, the Conversion Price then in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (\text{N} / \text{n})$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding immediately prior to such capital reduction.

n = the number of Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection (b) will be required if the Company cancels any Shares held in treasury or repurchases any Shares for the purpose of holding such Shares in treasury.

- (ii) Such adjustment shall become effective immediately on the record date for the determination of the shareholders participating in such capital reduction.

(c) *Sub-division, Combination, Paid-in Capital Reduction and Reclassification of Shares*

- (i) If the Company shall (1) sub-divide its outstanding Shares, (2) combine its outstanding Shares into a smaller number of Shares, or (3) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond on the Conversion Date which occurs after the coming into effect of the adjustment described in this paragraph (i) shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive any such securities issued upon any such sub-division, combination or re-classification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.
- (ii) An adjustment made pursuant to paragraph (i) above shall become effective immediately on the relevant event referred to above becoming effective or, if a record date is fixed therefor, immediately after such record date.

(d) *Concurrent Adjustment Events*

If the Company shall declare a dividend in, or make a free distribution or bonus issue of, Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

- (i) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (e), (f) or (g) below;
- (ii) the day immediately before the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to subsection (i) below;
- (iii) the day immediately before the date of issue of any Shares which requires an adjustment of the Conversion Price pursuant to subsection (l) below;
- (iv) the day immediately before the date of issue of any rights, options or warrants which requires an adjustment of the Conversion Price pursuant to subsection (m) below; or
- (v) determined by the Company to be the relevant date for an event or circumstance which requires an adjustment to the Conversion Price pursuant to subsection (n) below,

then no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under subsection (a), but in lieu thereof an adjustment shall be made under subsection (e), (f), (g), (i), (l) or (m) below (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Shares to be issued pursuant to such dividend, bonus issue or free distribution and, in the case of such dividend, including in the numerator of the fraction described therein the number of Shares which the aggregate par value of Shares to be so distributed would purchase at the Current Market Price per Share.

(e) *Rights Issues to Shareholders*

- (i) If the Company shall grant, issue or offer to the holders of Shares rights entitling them to subscribe for or purchase Shares (a “**Rights Issue**”, which expression shall exclude those Shares offered to employees as employee bonus shares) at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v)/(N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares to be issued in connection with such Rights Issue at the said consideration.

v = the number of Shares which the aggregate consideration receivable by the Company would purchase at such Current Market Price per Share specified above.

After the record date, the consideration per Share shall not be changed in any event.

- (ii) Subject as provided below, such adjustment shall become effective immediately after the date the consideration for such Shares are received in full but retroactively to immediately after the record date.

(f) *Warrants and Options Issued to Shareholders.*

- (i) If the Company shall grant, issue or offer to the holders of Shares warrants or options entitling them to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v)/(N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such warrants or options at the said consideration where no applications by shareholders entitled to such warrants or options are required. Where applications by shareholders entitled to such warrants or options are required, n = the number of such Shares that equals (A) the number of warrants or options which underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of warrants or options for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A).

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified above.

- (ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants or options are required from shareholders entitled to the same, upon their issue and (2) where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.

- (iii) If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants or options which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such warrants or options, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants or options which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(g) *Issues of Rights or Warrants for Equity-Related Securities to Shareholders*

- (i) If the Company shall grant, issue or offer to the holders of Shares options, rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares or which carry rights to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price per Share with respect to the record date; then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such rights or warrants and conversion or exchange of such convertible or exchangeable securities at the said consideration which, in the case of rights, equals (A) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities which the underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A), and which, in the case of warrants where no applications by shareholders entitled to such warrants are required,

equals such number of Shares initially to be issued upon such exercise and conversion or exchange. Where applications by shareholders entitled to such warrants are required, $n =$ the number of such Shares that equals (x) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, (y) the number of warrants for which applications are received from shareholders as referred to below save to the extent already adjusted for under (x) .

$v =$ the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified.

- (ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants are required from shareholders entitled to the same, upon their issue and (2) in the case of rights and where applications by shareholders entitled to the warrants are required as aforesaid, immediately after the latest date for the submission of applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.
- (iii) If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such convertible or exchangeable securities or warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred such rights or the right to purchase such warrants) who have submitted applications for such convertible or exchangeable securities or warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(h) *Capital Distribution, Other Distributions to Shareholders*

- (i) If the Company shall make any Capital Distribution or the distribution to the holders of Shares of evidences of indebtedness of the Company or of shares of capital stock of the Company (other than Shares) or of assets or of options, rights or warrants to subscribe for or purchase shares (other than Shares) or securities (other than those mentioned in (e), (f) or (g) above):

$$NCP = OCP \times [(CMP - fm_v) / CMP]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

CMP = the Current Market Price.

fmv = the amount of such distribution or the fair market value (as determined by the Company and notified to the Trustee in writing or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court) of the portion of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed applicable to one Share, less any consideration payable for the same by the relevant Shareholder. In making a determination of the fair market value of any such evidences of indebtedness, shares of capital stock, assets, rights or warrants, the Company shall consult a leading independent securities company or bank in Taipei selected by the Company and shall take fully into account the advice received from such company or bank.

- (ii) Such adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive such Capital Distribution or distribution, provided that (1) in the case of such a Capital Distribution or distribution which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before such Capital Distribution or distribution may legally be made and is so approved after the record date fixed for the determination of shareholders entitled to receive such Capital Distribution or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after the record date and (2) if the fair market value of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed cannot be determined until after the record date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after the record date.
 - (iii) For the avoidance of doubt, the Conversion Price shall be adjusted in accordance with (i) above as soon as practicable upon issuance of the Bonds to take into account the cash dividend of approximately NT\$0.299 per Share approved by the annual general shareholders' meeting held on June 11, 2014, the ex-dividend trading date of which is July 11, 2014 and the record date of which is July 14, 2014.
 - (iv) Notwithstanding anything provided herein to the contrary, no adjustment to the Conversion Price shall be made if the Company reduces its share capital by purchasing and canceling its shares.
- (i) *Issue of Convertible or Exchangeable Securities Generally*
- (i) If the Company shall issue any securities convertible into or exchangeable for Shares (other than the Bonds, or in any of the circumstances described in subsection (g) above and subsection (m)

below) and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement shall be less than the Current Market Price per Share on the date in the ROC on which the Company makes a public record following the pricing of such securities, then the Conversion Price in effect immediately prior to the date of issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v)/(N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

- (ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such convertible or exchangeable securities are issued.

(j) *Tender or Exchange Offers*

- (i) In case a tender or exchange offer made by the Company or any Subsidiary of the Company for all or any portion of the Shares shall expire and such tender or exchange offer shall involve the payment by the Company or such Subsidiary of consideration per Share having a fair market value (as determined by an independent financial institution selected by the Company at the expense of the Company and promptly notified in writing to the Trustee) at the last time (the “**Expiration Date**”) tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Current Market Price per Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [N \times M / (a + [(N - n) \times M])]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding (including any tendered or exchanged Shares) on the Expiration Date.

M = Current Market Price per Share as of the Expiration Date.

a = the fair market value of the aggregate consideration payable to the holders of Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Shares deemed so accepted up to any such maximum, being referred to as the “**Purchased Shares**”).

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

- (ii) If the Company is obligated to purchase Shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(k) Merger

In case of a Merger of the Company (as defined in Condition 6(D)), each Bond then Outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger on the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Right to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in this Condition 6. Where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth herein.

(l) Other Issues of Shares

- (i) If the Company shall issue any Shares (other than Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Company or upon exercise of any rights or warrants granted, offered or issued by the Company or in any of the circumstances described in subsection (a), (b), (c) or (d) above) for a consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement less than (1) (in case of employee bonus arrangements), the closing sales price of the Shares on the TWSE on the date immediately preceding the date of the meeting of the shareholders approving such issue (after taking into account the effect of any dividend payment), or (2) (in case of other issues of Shares other than employee bonus arrangements), the Current Market Price per Share on the record date or on which the Company fixes the said consideration if no closed period is set forth for such issuance, then the Conversion Price in effect immediately prior to the issue of such additional Shares shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v)/(N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of additional Shares issued as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at (1) (in case of employee bonus arrangements) such Current Market Price per Share mentioned above in (i), or (2) (in case of other issues of Shares other than employee bonus arrangements) such Current Market Price per Share.

It being understood that, for the avoidance of doubt, in the case of the issuance of Shares pursuant to an employee bonus arrangement, the aggregate consideration receivable by the Company shall be the product of the number of Shares issued pursuant thereto and the closing price of the Shares on the date immediately preceding the date of the meeting of the shareholders approving such issuance (after taking into account the effect of any dividend payment).

- (ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such additional Shares are issued.

(m) Issue of Equity Related Securities

- (i) If the Company shall grant, issue or offer options, rights or warrants to subscribe for or purchase Shares (other than in any of the circumstances described in subsections (e) and (f)) or securities convertible into or exchangeable for Shares and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) shall be less than the Current Market Price per Share on the record date (or, if the offer, grant or issue of such rights, options or warrants is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of the offer, grant or issue of such options, rights or warrants shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times [(N + v)/(N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued on exercise of such options, rights or warrants and (if applicable) conversion or exchange of such convertible or exchangeable securities.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

- (ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such rights or warrants are issued.

(n) *Analogous Events.*

If the Company determines that any other event or circumstance has occurred which has or would have an effect on the position of the Bondholders as a class compared with the position of the holders of all the securities (and options and rights relating thereto) of the Company, taken as a class which is analogous to any of the events referred to in subsections (a) through (m), then, in any such case, the Company shall notify the Trustee in writing thereof and the Company shall consult with a leading independent securities company or commercial bank in Taipei selected by the Company as to what adjustment, if any, should be made to the Conversion Price to preserve the value of the Conversion Right of Bondholders and will make any such adjustment. Any such adjustment, where possible, shall be made using methodology similar in nature to one or more of the adjustments described above in this Condition 6(C), and may consist of a combination of such adjustments where appropriate.

(o) *Simultaneous Issues of Different Classes of Shares.*

In the event of simultaneous issues of two or more classes of share capital comprising Shares or rights or warrants in respect of, or securities convertible into or exchangeable for, two or more classes of share capital comprising Shares, then, for the purposes of this Condition 6(C), the formula:

$$\text{NCP} = \text{OCP} \times [(N + v)/(N + n)] \text{ shall be restated as } \text{NCP} = \text{OCP} \times [(N + v1 + v2 + v3) / (N + n1 + n2 + n3)]$$

where v1 and n1 shall have the same meanings as “v” and “n” but by reference to one class of Shares, v2 and n2 shall have the same meanings as “v” and “n” but by reference to a second class of Shares, v3 and n3 shall have the same meanings as “v” and “n” but by reference to a third class of Shares and so on.

(p) *Consideration Receivable by the Company.*

For the purposes of any calculation of the consideration receivable by the Company pursuant to this Condition 6(C), the following provisions shall be applicable:

- (i) in the case of the issue of Shares for cash, the consideration shall be the amount of such cash, provided that in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;
- (ii) in the case of the issue of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be

the fair value thereof as determined by the Company (and in making such determination the Company shall consult a leading independent securities company or bank in Taipei selected by the Company and shall take fully into account the advice received from such company or bank) or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof;

- (iii) in the case of the issue (whether initially or upon the exercise of rights or warrants) of securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price;
- (iv) in the case of the issue of rights or warrants to subscribe for or purchase Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price;
- (v) if any of the consideration referred to in any of the preceding paragraphs of this subsection (p) is receivable in a currency other than New Taiwan Dollars, such consideration shall, in any case where there is a fixed rate of exchange between the New Taiwan Dollar and the relevant currency for the purposes of the issue of the Shares, the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into New Taiwan Dollars for the purposes of this subsection (p) at such fixed rate of exchange and shall, in all other cases, be translated into New Taiwan Dollars at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. Dollars if no direct rate is quoted) by a leading bank in the ROC for buying and selling spot units of the relevant currency by telegraphic transfer against New Taiwan Dollars on the date as of which the said consideration is required to be calculated as aforesaid; and
- (vi) in the case of the issue of Shares credited as fully paid out of retained earnings or capitalization or reserves at their par value, the aggregate consideration receivable by the Company shall be deemed to be zero (and accordingly the number of Shares which such aggregate

consideration receivable by the Company could purchase at the relevant Current Market Price per Share shall also be deemed to be zero).

(q) *Cumulative Adjustments.*

If, at the time of computing an adjustment (the “**later adjustment**”) of the Conversion Price pursuant to any of subsections above, the Conversion Price already incorporates an adjustment (the “**earlier adjustment**”) made (or taken or to be taken into account pursuant to the proviso to subsection (r) below) to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares or securities taken into account for the purposes of calculating the earlier adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such excess Shares shall be deemed to be outstanding for the purposes of making such computation.

(r) *Reference to “fix”.*

Any reference herein to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

- (ii) No adjustment will be made where such adjustment would be less than 1% of the Conversion Price then in effect; *provided, however*, that any adjustment that otherwise would be required to be made will be carried forward and taken into account (as if such adjustment had been made at the time when it would have been made but for the provisions of this subsection (ii)) in determining any subsequent adjustment. The Company will promptly notify the Bondholders, the Trustee and the Conversion Agent in writing of any adjustment in accordance with Condition 15. Neither the Trustee nor the Conversion Agent will be responsible for verifying the information in the notice. Any such notice relating to an adjustment in the Conversion Price should set forth the event giving rise to the adjustment, the Conversion Price prior to the adjustment, the effective date of such adjustment and the Conversion Price after the adjustment.

For the purposes of the Conditions:

“**Capital Distribution**” means any cash dividend, distribution of cash or distribution of assets in specie made by the Company for any fiscal year unless it comprises a purchase or redemption of share capital of the Company;

“**Current Market Price**” on any date means (i) in the case of Shares, the average of the Market Prices of the Shares for the most recent 30 Trading Days, (ii) in the case of capital stock (other than Shares) which is listed on the relevant stock exchange, the average of the Market Prices of such capital stock (other than Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an independent, internationally recognized investment banking firm selected by the Company;

“**Market Price**” means for any Trading Day (a) with respect to the Shares, the closing sales price of the Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by a leading independent

securities firm in Taiwan selected from time to time by the Company and notified to the Paying Agent for this purpose, and (b) with respect to capital stock of the Company (other than Shares), the closing bid price for such capital stock (other than Shares) on the relevant stock exchange; and

“**Trading Day**” means with respect to the Shares, a day when the TWSE is open for business; *provided, however*, if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Shares for one or more Trading Days (or furnished by a reputable independent securities firm in Taiwan as aforesaid), such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

(D) Mergers; Disposals

So long as the Bonds remain outstanding, the Company will not merge, amalgamate or consolidate with or into any other corporation or entity, (provided that the Company is not the surviving entity) or sell, convey, transfer, lease or otherwise dispose of all, or substantially all, of the assets of the Company (each event a “**Merger**”), whether as a single transaction or a number of transactions, related or not, to any corporation, entity or person or to one or more members of any group under the common control of any corporation, entity or person unless:

- (i) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly assume, by an indenture supplemental hereto, all obligations of the Issuer under this Indenture and the performance of every covenant and agreement applicable to it contained herein;
- (ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;
- (iii) the Company at least 20 Business Days prior to the Merger has delivered to the Trustee an Officer’s Certificate stating that such Merger complies with this Condition and that all conditions precedent herein provided for or relating to such Merger have been complied with;
- (iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to:
 - (a) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of the Bonds; and
 - (b) if organized under the laws of a jurisdiction other than the ROC, deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the Holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of principal and Additional Amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and
- (v) the Company shall as soon as practicable on or prior to the Merger, deliver an opinion satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

The Trustee shall not be responsible for verifying or confirming the information in any Officer's Certificate required pursuant to the above provisions.

Upon any Merger in accordance with Condition 6(D), the successor corporation formed by such Merger shall succeed to and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Indenture and the Bonds.

(E) Conversion Undertakings

The Company undertakes that:

- (i) it will use its best efforts to ensure that all Closed Periods during any 365-day period shall not be in the aggregate more than 120 calendar days, having taken into account the applicable ROC laws and regulations;
- (ii) it will procure sufficient Shares for transfer and delivery to the person designated on the Conversion Notice upon conversion of the Bonds, by way of increasing the Company's paid-in share capital and, if necessary, its authorized capitalization for the issuance of new Shares, if approval of the ROC FSC is obtained and future changes to ROC laws and regulations permit the Company to issue new Shares for delivery upon conversion of the Bonds. The Company acknowledges that the undertaking above may involve amending the Company's Articles of Incorporation, which requires the approval of its board of directors and its shareholders; and
- (iii) it will use its best efforts to obtain and maintain a listing on the TWSE for the Shares to be issued upon the conversion of the Bonds.

7. Payments

(A) U.S. Dollar Settlement

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture or the Agency Agreement from or against the Company shall be payable and settled in U.S. Dollars only.

For the purposes of the Conditions:

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Taipei, New York, Hong Kong and London;

"Fixed Exchange Rate" means the fixed rate of US\$1.00 = NT\$29.890.

"Independent Investment Bank" means (i) an independent investment bank of international repute or (ii) leading independent securities company or bank in the ROC (in each case of (i) and (ii), acting as an expert) selected by the Company following consultation with the Trustee.

"NT Dollars" or **"NT\$"** means the lawful currency for the time being of the ROC.

"NTD Equivalent" means in respect of any U.S. Dollar-denominated amount in respect of the Bonds, or in respect of the Conversion Price then in effect, such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate.

“Prevailing Rate,” for each Rate Calculation Date, means a rate determined by the Principal Agent as follows:

- (a) the fixing rate at 11:00 a.m., expressed as the number of NT Dollars per one U.S. Dollar, quoted by Taipei Forex Inc., which rate shall be provided by the Company to the Principal Agent;
- (b) if no such rate is available under sub-paragraph (a), the prevailing rate determined by the Principal Agent on the basis of quotations provided by the Company that are obtained from Reference Dealers (as defined below) of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and
- (c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the prevailing rate under sub-paragraph (b), the Taipei office of each of the Reference Dealers will provide to the Principal Agent a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer’s experience in the foreign exchange market for NTD and general activity in such market on the Rate Calculation Date. The quotations used to determine the Prevailing Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be provided at 3:30 p.m. (Taipei time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available. All quotations shall be provided by the Company to the Principal Agent in writing and the Principal Agent shall not be responsible for requesting or obtaining the quotations.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

As soon as practicable after the Prevailing Rate has been determined, the Principal Agent will notify the Company, the LC Bank and the facility agent of the Participating Banks (the **“LC Facility Agent”**) by email or facsimile of the Prevailing Rate and the applicable Settlement Equivalent on the Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7, whether by the Reference Dealers (or any of them), the Company or the Independent Investment Bank, will (in the absence of fraud, willful misconduct or gross negligence) be binding on the Company, the Trustee, the Agents and all Bondholders.

“Rate Calculation Date” means the day which is the fifth Business Days before the due date of the relevant amount under the Conditions.

“Reference Dealers” means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Company.

“Settlement Equivalent” for the relevant Rate Calculation Date in respect of any U.S. Dollar-denominated amount payable in respect of the Bonds, means such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate, and then converted back to U.S. Dollar amount using the applicable Prevailing Rate on such date.

“U.S. Dollars” or **“US\$”** means the lawful currency for the time being of the United States of America.

(B) Method of Payment

Payment of principal of and premium and other amounts on the Bonds will be in U.S. Dollar and will be made (i) with respect to a Holder of a Bond, by wire transfer of immediately available funds to the registered account of the Holder of such Bond or (ii) in the case of a Holder of a Certificated Bond where the Registrar has advised that payments cannot be made via wire transfer, by U.S. Dollar check mailed to the registered address of the Bondholder. Payments of principal and premium and other amounts will only be made against surrender of the relevant Certificated Bond at the specified office of the Principal Paying Agent or any of the other Paying Agents.

(C) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Business Days

If the due date for payment of any amount of principal or premium or any other amount in respect of any Bond (or any later date on which a Bond could otherwise be presented for payment) is not, in the relevant place of presentation, a business day, the Holder of the relevant Bond shall not be entitled to payment at such place of the amount due until the next following business day at such place and shall not be entitled to any interest or other payment in respect of such delay. In this Condition 7(D), “**business day**” means any day on which banks are open for business in the Taipei, London, Hong Kong and in the relevant place of presentation and, unless the following sentence applies, in the case of payment by transfer to a U.S. Dollar account as referred to above, on which dealings in foreign currency may be carried on both in New York, London, Hong Kong and in such place of presentation. If a Bond is presented for payment at a time when, as a result of differences in time zones, it is not practicable to transfer the relevant amount to an account as referred to above for value on the relevant date, the Company shall not be obliged to do so but shall be obliged to transfer the relevant amount to the account for value on the first practicable date thereafter.

(E) Paying Agents

The names of the initial Principal Paying Agent and the other initial Paying Agents and their specified offices are set out in the Agency Agreement. The Company reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, in each case in accordance with the Agency Agreement, provided that the Company will at all times maintain a Principal Paying Agent, Conversion Agent and a Paying Agent having a specified office in London and, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, a specified office in Singapore. The Paying Agent may resign at any time by giving written notice to the Company and the Trustee not less than 60 days in advance. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Paying Agent and the Paying Agents will be given promptly by the Company to the Bondholders in accordance with Condition 15.

(F) Default Interest

If the Company fails to pay any sum in respect of the Bonds when due, default interest will accrue on the overdue Settlement Equivalent of principal amount at the rate of 2% per annum from the due date and ending on the date the Trustee determines to be the date on and after which the overdue payment is to be made to the Bondholders as stated in a notice given to the Bondholders in accordance with Condition 15 (both dates inclusive). The default interest will accrue on the basis

of the actual number of days elapsed calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and the amount payable will be equal to the Settlement Equivalent of such default interest amount.

8. Redemption, Repurchase and Cancellation

(A) Final Redemption

Unless previously redeemed, repurchased and canceled or converted as herein provided, the Company will redeem the Bonds at the Settlement Equivalent of 100% of their principal amount on July 18, 2017 (the “**Maturity Date**”). The Company may not redeem the Bonds at its option prior to that date except as provided in paragraph (B), (D), (E) or (G) below (but without prejudice to Condition 10).

(B) Redemption for Tax Reasons

If, as a result of any change in, amendment or non-renewal of, or judicial decision relating to, the laws of the ROC or any political subdivision or taxing authority or legislative body thereof or therein, or any treaty to which the ROC is party, or any change in the official application or interpretation of any such laws or treaty, in any such case, occurring after the Issue Date, or as a result of any action taken or proposed by the ROC or any political subdivision or any taxing authority or legislative body thereof or therein, or brought in a court of competent jurisdiction in the ROC or any political subdivision thereof, whether or not such action was taken or brought with respect to the Company but which, in any such case, becomes effective or generally known after the Issue Date, on the occasion of the next payment due in respect of any Bond, the Company has or will become required to pay Additional Amounts as provided in Condition 9 and such obligation cannot be avoided by the Company taking reasonable measures available to it, the Company may at its option, having given not less than 30 nor more than 60 days’ notice (in accordance with Conditions 8(C) and 15) to the Bondholders (which notice will be irrevocable) redeem, in whole but not in part, the Bonds on the expiry date of the notice of redemption (the “**Tax Call Date**”) at the Settlement Equivalent of the Early Redemption Amount, provided that no notice of redemption shall be given earlier than 60 days before the earliest date on which the Company would be required to pay the additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee a certificate in form and substance reasonably acceptable to the Trustee signed by two authorized officers of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing the conditions precedent to the right of the Company so to redeem have occurred, and an opinion addressed to the Trustee in form and substance reasonably acceptable to the Trustee by an independent law firm of recognized standing admitted to practice in the ROC to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment and the Trustee shall be entitled to accept and fully rely on such certificate (without verification by it) as sufficient evidence of the conditions precedent referred to in this Condition 8(B) in which event it shall be conclusive and binding on the Bondholders.

If the Company gives a notice of redemption of the Bonds under this Condition 8(B), each Bondholder shall have the right (the “**Non-Redemption Right**”) to elect that all or a portion (being US\$100,000 in principal amount or an integral multiple thereof) of its Bonds not be redeemed by giving the notice to such effect to the Company (with a copy to the Trustee) no later than 15 days prior to the redemption date fixed by the Company. If a Bondholder exercises the Non-Redemption Right with respect to such Bonds, no Additional Amounts referred to in Condition 9 shall be payable on the payments due after the relevant date (as defined in Condition 9) in respect of such Bonds and such payments shall be made subject to the deduction or withholding required by law or regulation (or the interpretation or administration thereof) of a relevant taxing jurisdiction in effect after the Pricing Date of the Bonds. For the avoidance of doubt, the Company shall continue to be responsible to such Bondholders for any Additional Amount that is payable in respect of the Bonds

under Condition 9 as a result of the laws or regulations (or the interpretation or administration thereof) of a relevant taxing jurisdiction in effect on the Pricing Date.

“Early Redemption Amount” means, for each US\$100,000 principal amount of Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards.

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each US\$100,000 principal amount on the Semi-annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to January 18, 2015, US\$100,000):

<u>Semi-annual Date</u>	<u>Early Redemption Amount (in U.S. Dollars)</u>
January 18, 2015	100,000
July 18, 2015	100,000
January 18, 2016	100,000
July 18, 2016	100,000
January 18, 2017	100,000

$r = 0\%$ expressed as a fraction

d = number of days from and including the immediately preceding Semi-annual Date (or if the Bonds are to be redeemed on or before January 18, 2015, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

$p = 180$

Upon the expiry of any such notice, the Company will be bound to redeem the Bonds to which such notice relates at the price aforesaid applicable at the date fixed for redemption.

For the avoidance of doubt, neither the Trustee nor the Agents shall be responsible for calculating or verifying the Early Redemption Amount.

(C) Redemption Procedures

In the case of a redemption, the Company will furnish the Trustee with a notice of redemption in sufficient time to permit the Trustee, within not less than 30 days nor more than 60 days prior to any such Redemption Date, to mail to each Holder such notice of redemption, which notice will specify:

- (i) the Tax Call Date (the **“Redemption Date”**);
- (ii) the price at which such Bonds will be redeemed and the method by which such amount will be paid;
- (iii) that, in the case of Bondholders that hold Certificated Bonds, payment will be made upon presentation and surrender of the Certificated Bond(s) to be redeemed;
- (iv) the names and addresses of all Paying Agents;
- (v) the Conversion Right of the Bondholders and the then current Conversion Price;
- (vi) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided; and
- (vii) that the right to convert such Bonds will expire seven days prior to the Redemption Date.

No notice of redemption given under the above Condition 8(B) shall be effective if the Redemption Date specified therein is during a Closed Period or within 30 days following the last day of a Closed Period.

Upon the expiration of such notice, the Company will be bound to redeem the Bonds at the applicable redemption price on the Redemption Date, except as otherwise indicated in these Conditions or the Indenture.

Payment of the relevant redemption price for any Bond will be made on the Redemption Date, *provided, however*, that (i) if such Bond is a Certificated Bonds and has not been so delivered on or prior to the Redemption Date, payment will only be made at the time of delivery of such Certificated Bonds (together with the necessary endorsements), (ii) if the Redemption Date falls on a day other than a Business Day, payment shall be made on the next immediate Business Day and (iii) money sufficient for payment of the relevant redemption price has been deposited with the Paying Agents at least one Business Day prior to the Redemption Date. If the Company has made available to the Trustee and the Paying Agents, in accordance with the terms of the Indenture and the Agency Agreement, cash sufficient to pay the relevant redemption price of a Bond on the Redemption Date, then, immediately after such Redemption Date, whether or not such Bond is delivered to a Paying Agent, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Holder will terminate (other than the right to receive the relevant redemption price).

(D) Repurchase of the Bonds in the Event of Delisting

In the event that the Shares officially cease to be listed or admitted for trading on the TWSE (a “**Delisting**”), each Bondholder shall have the right (the “**Delisting Put Right**”), at such Bondholder’s option, to require the Company to repurchase, in whole or in part (being US\$100,000 in principal amount or an integral multiple thereof), such Bondholder’s Bonds on the date set by the Company for such repurchase (the “**Delisting Put Date**”), which shall be not less than 30 days nor more than 60 days following the date on which the Trustee mails to each Bondholder a notice regarding the Delisting referred to under Condition 8(F) below, at the Settlement Equivalent of the Early Redemption Amount (the “**Delisting Put Price**”).

(E) Repurchase of the Bonds in the Event of a Change of Control

If a Change of Control (as defined below) occurs, each Bondholder shall have the right (the “**Change of Control Put Right**”), at such Bondholder’s option, to require the Company to repurchase, in whole or in part (being US\$100,000 in principal amount or an integral multiple thereof), such Bondholder’s Bonds on the date set by the Company for such repurchase (the “**Change of Control Put Date**”), which shall not be less than 30 nor more than 60 days following the date on which the Company notifies the Trustee of the Change of Control, at the Settlement Equivalent of the Early Redemption Amount (the “**Change of Control Put Price**”).

A “**Change of Control**” will be deemed to have occurred when (i) Control of the Company is acquired or deemed to be held by any Person or Persons acting together if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Issue Date, (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons acquiring Control over the Company or the successor entity; or (iii) one or more other Persons acquires the legal or beneficial ownership of all or substantially all of the capital stock of the Company. Notwithstanding anything in the Indenture to the contrary, for the purposes of this definition, the term “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company’s Board of Directors or any other governing board of the Company and does not include the Company’s wholly-owned direct or indirect Subsidiaries.

“**Control**” means the right to appoint and/or remove all or the majority of the members of the Issuer’s Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

(F) Repurchase Procedures

Promptly after becoming aware of, and in any event within seven days of, a Delisting or a Change of Control, the Company will provide sufficient information promptly to the Trustee in sufficient time to permit the Trustee to mail to each Bondholder a notice regarding such Delisting Put Right or Change of Control Put Right, as the case may be. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence. Such notice shall state, as appropriate:

- (i) The Delisting Put Date or the Change of Control Put Date, as the case may be (each, a “**Repurchase Date**”);
- (ii) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;
- (iii) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;
- (iv) the date by which the Repurchase Notice (as defined below) must be given;
- (v) the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;
- (vi) the names and addresses of all Paying Agents;
- (vii) the Conversion Right of the Bondholders and the Conversion Price then in effect;
- (viii) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided;
- (ix) the procedures that Bondholders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and Conversion Right, as the case may be; and
- (x) that a Repurchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Company to purchase the Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a “**Repurchase Notice**”) together with the applicable Certificated Bonds (if applicable) to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than five Business Days prior to the Repurchase Date.

Payment of the Delisting Put Price upon exercise of the Delisting Put Right or of the Change of Control Put Price upon exercise of the Change of Control Put Right, for any Bond for which a Repurchase Notice has been delivered is conditioned upon delivery of such Bond (including any Certificated Bonds, together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Repurchase Notice, and shall be made promptly following the later of the Repurchase Date and the time of delivery of such Bond. If the Paying

Agent holds on the Repurchase Date money sufficient to pay the Put Price (such money shall be deposited with the Paying Agents at least one Business Day prior to the applicable Repurchase Date), the Delisting Put Price or the Change of Control Put Price, as the case may be, of Bonds for which Repurchase Notices have been delivered in accordance with the provisions of the Indenture, then, whether or not such Bond is delivered to the Paying Agent, on and after such Repurchase Date, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Bondholder shall terminate (other than the right to receive the Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

(G) LC Redemption Event

Upon the occurrence of an LC Redemption Event (as defined below) and to the extent permitted by applicable law, the Company shall redeem, in whole but not in part, (subject to the non-redemption right described in the fifth paragraph below), the outstanding Bonds at the Settlement Equivalent of the Early Redemption Amount as at the LC Redemption Event Date (as defined below) to such date (the “**LC Redemption Event Price**”). The “**LC Redemption Event Date**” shall be the 30th day after the day the Issuer LC Redemption Event Notice (as defined below) is delivered by the Company to the holders of the Bonds in accordance with Condition 15 or, in the event the Company fails to so deliver such Issuer LC Redemption Event Notice, the “**LC Redemption Event Date**” shall be the 30th day after the day the Trustee delivers the relevant LC Redemption Event Notice to the holders of the Bonds in accordance with Condition 15.

The Trustee shall not be required to take any steps to ascertain whether an LC Redemption Event or any event which could lead to the occurrence of an LC Redemption Event has occurred and will not be responsible or liable to holders of the Bonds or any other person for any loss arising from any failure by it to do so.

Immediately upon, and not later than three Bond Business Days (as defined in the Letter of Credit) after, receiving the LC Redemption Event Notice (as defined below) from the LC Bank, the Company shall procure that a notice (the “**Issuer LC Redemption Event Notice**”) regarding the LC Redemption Event shall be delivered to the Trustee, the Agents and the holders of the Bonds (in accordance with Condition 15) stating:

- (i) the LC Redemption Event Date;
- (ii) the date of the event of default under the Reimbursement Agreement and the date of receipt by the Company of the LC Redemption Event Notice from the LC Bank and, briefly, the events constituting such event of default under the Reimbursement Agreement;
- (iii) the LC Redemption Event Price and the method by which such amount will be paid;
- (iv) the names and specified offices of all Paying Agents;
- (v) the then current Conversion Price; and
- (vi) that the holders of the Bonds have a right to elect that their Bonds shall not be redeemed, but shall remain outstanding without the benefit of the Letter of Credit.

In the event the Trustee does not receive the Issuer LC Redemption Event Notice within three Bond Business Days after receipt by the Trustee of the LC Redemption Event Notice from the LC Bank, the Trustee shall deliver a copy of the LC Redemption Event Notice to the holders of the Bonds, the Agents and the Company no later than four Bond Business Days after receipt by the Trustee of such LC Redemption Event Notice from the LC Bank. A copy of any notice delivered by the Trustee pursuant to this paragraph, shall be delivered to the LC Bank at its address stated in the

Letter of Credit or otherwise notified to the Trustee in accordance with the Letter of Credit and the LC Facility Agent at the same time as it is delivered to the holders of the Bonds.

Following the receipt of an LC Redemption Event Notice, or as the case may be, the Issuer LC Redemption Event Notice, each holder of the Bonds has a right to elect that his Bonds shall not be redeemed, but shall remain outstanding without the benefit of the Letter of Credit. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Definitive Certificate evidencing such Bond on or before the day falling seven days prior to the LC Redemption Event Date. A copy of such notice of election shall also be given by such holder to the Issuer and the Trustee.

For the purposes of these Conditions “**LC Redemption Event**” means the delivery of the LC Bank’s written notice to the Company, the Principal Agent and the Trustee (the “**LC Redemption Event Notice**”) to the addresses or fax numbers most recently notified to the LC Bank (by at least five Bond Business Days’ notice (as defined in the Letter of Credit) notice) that: (i) an event of default under the Reimbursement Agreement has occurred and is continuing (as defined in the Reimbursement Agreement); and (ii) the Company shall redeem the Bonds at the Settlement Equivalent of the Early Redemption Amount as at the LC Redemption Event Date.

The LC Bank is not obliged to have regard to the interests of the holders of the Bonds in exercising its rights under the Reimbursement Agreement.

Upon receiving notice in writing from the Principal Agent that the Company has failed to pay the LC Redemption Event Price on the LC Redemption Event Date, the Trustee shall as soon as practicable following receipt of such notice draw upon the Letter of Credit in accordance with the terms thereof and Condition 1(B).

Subject as set out below, the Trustee shall have 41 days from the date of receipt of the LC Redemption Event Notice by the Trustee from the LC Bank to draw down on the Letter of Credit failing which the Letter of Credit shall expire 41 days from the date of the delivery of the LC Redemption Event Notice by the LC Bank to the Trustee. For avoidance of doubt, the Trustee shall not be entitled to draw on the Letter of Credit pursuant to this Condition 8(G) on a day earlier than the thirtieth day after the day that the Issuer LC Redemption Event Notice is delivered by the Company to the Trustee, or, if the Company fails to procure the delivery of the Issuer LC Redemption Event Notice to the Trustee within the three day period referred to in the third paragraph of this Condition 8(G), the thirtieth day after the day that the Trustee delivers the LC Redemption Event Notice to the holders of the Bonds.

(H) Purchase and Cancellation

The Company or any Subsidiary may at any time and from time to time purchase Bonds in the open market or otherwise at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Any Bonds so purchased by the Company or any Subsidiary will be surrendered to the Principal Paying Agent for cancellation and will not be reissued.

9. Taxation

Subject to Condition 8(B), all payments of principal and premium and other amounts on the Bonds and all issuance of Shares on conversion of the Bonds will be made after any deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the government of the ROC or any authority thereof or therein having power to tax; *provided* that in respect of any such deduction or withholding from any such payment the Company will pay such additional amounts (“**Additional Amounts**”) as will result in

the receipt by the Bondholders of the amounts which would otherwise have been receivable in the absence of any such deduction or withholding, except that no Additional Amounts shall be payable in respect of any Bond:

- (i) to a Bondholder or beneficial owner (or to a third party on behalf of a Bondholder or beneficial owner) where such Bondholder or beneficial owner is liable for such Taxes in respect of such Bond by reason of its being connected with the ROC otherwise than merely by holding such Bond or by the receipt of principal or premium or any other amount in respect of any Bond or the enforcement of payment on such Bond;
- (ii) to or on behalf of a Bondholder or beneficial owner to the extent that such Bondholder or beneficial owner would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other claims for exemption or deduction to the relevant tax authorities if such Bondholder or beneficial owner is eligible to make such declaration or claim and, such Bondholder or beneficial owner fails to timely to do so;
- (iii) presented for payment more than 30 days after the relevant date except to the extent that the Bondholder or beneficial owner thereof would have been entitled to the Additional Amounts on presenting the same for payment on the last day of such 30-day period;
- (iv) to or on behalf of a Bondholder or beneficial owner who is subject to withholding or deduction imposed on a payment to such Bondholder or beneficial owner and required to be made pursuant to European Council Directive 2003/48/EC or any European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income (the “**Directive**”) or any law implementing or complying with, or introduced in order to conform with, such Directive; or
- (v) to or on behalf of a Bondholder or beneficial owner if such Bondholder or beneficial owner would have been able to avoid the withholding or deduction by the presentation (where presentation is required) of the relevant Bond to, or otherwise accepting payment from, another paying agent in a member state of the European Union.

For this purpose the “**relevant date**” in relation to any Bond means (a) the due date for payment in respect thereof, or (b) if the full amount of the moneys payable on such due date has not been received by the Trustee and the Principal Paying Agent on or prior to such due date, the date on which notice is duly given to the Bondholders that such moneys have been so received.

Additionally, the obligation to pay such Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other governmental charges of similar nature or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Bonds or issuance of Shares on conversion of the Bonds.

References in these Conditions to principal, premium and/or any other amounts which may be payable pursuant hereto or pursuant to the Indenture shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Indenture.

Any premium paid on redemption of the bonds will be deemed interest income for the purpose of ROC taxation.

10. Events of Default

(A) *Events of Default*

The Trustee, if so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to being indemnified and/or secured by the Bondholders to its satisfaction), give notice to the Company and the LC Bank that the Bonds are immediately due and repayable at an amount equal to the Settlement Equivalent of the principal amount of and premium (if any) on the Bonds as of the date of payment, if any of the following events shall have occurred and be continuing; *provided* that so long as (a) the Letter of Credit is outstanding, (b) in respect of an Event of Default (as defined below) described under paragraph (i) below in respect of principal amount of the relevant payment obligation is covered by the Letter of Credit, and (c) there has been no default in payment under the Letter of Credit, such notice shall not be given or be effective (other than in relation to an Event of Default under paragraphs (i), (ii) and (xii) below) without the prior written consent of the LC Bank (subject as provided below and without prejudice to the right of the holders of the Bonds to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6), if an Event of Default (as defined below) shall have occurred. An “**Event of Default**” occurs if:

- (i) a default is made for more than three business days in the payment of principal or premium (if any) in respect of any of the Bonds when due;
- (ii) a default is made by the Company in failing to give effect to a Conversion Right exercised by a Bondholder in accordance with the Indenture and such failure conditions continue for more than five business days;
- (iii) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Indenture or in the Bonds on its part to be performed or observed (other than (i) the covenant to pay the principal amount or premium (if any) or any other amount, in respect of any of the Bonds and (ii) the covenant to give effect to a Conversion Right) and the default continues for the period of 30 days next following the service by the Trustee (acting on the instructions of the Holders) on the Company of written notice requiring such default to be remedied;
- (iv) (a) any other present or future indebtedness of the Company or any Principal Subsidiary for or in respect of money borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of an event of default (however called) or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for, or (c) the Company or any Principal Subsidiary fails to pay when due any amounts payable by it under any present or future guarantee, indemnity or similar obligation for any monies borrowed or raised, provided that the aggregate amount of the relevant indebtedness or amount payable in respect of which one or more of the events mentioned above in this paragraph (iv) have occurred equals or exceeds US\$10 million (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank selected by the Company on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);
- (v) a final judgment in an aggregate amount in excess of US\$10 million is entered against the Company or any of its Principal Subsidiaries which results in a distress, attachment, execution or other legal process being levied, enforced or sued out on or

against any part of the property, assets or revenues of the Company or any of its Principal Subsidiaries and is not discharged or stayed within 60 days;

- (vi) a final judgment in an aggregate amount in excess of US\$10 million is entered against the Company or any of its Principal Subsidiaries which results in any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Principal Subsidiaries becoming enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);
- (vii) the Company or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company or any of its Principal Subsidiaries; or an administrator or liquidator of the Company or any of its Principal Subsidiaries or the whole or any material part of the assets and turnover of the Company or any of its Principal Subsidiaries is appointed (or application for any such appointment is made);
- (viii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Principal Subsidiary), or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (a) on terms approved by a resolution of holders holding not less than 75% of the principal amount of the outstanding Bonds or in the case of amalgamation, merger or consolidation, the Company or the Principal Subsidiary is the surviving entity, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company or another of its Principal Subsidiaries;
- (ix) any step is taken by any authorized person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of the Company or any of its Principal Subsidiaries (and if capable of being remedied, is not remedied within 60 days);
- (x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Indenture, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Indenture admissible in evidence in the courts of the ROC is not taken, fulfilled or done (and if capable of being remedied, is not remedied within 60 days);
- (xi) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Bonds, the Indenture or the Agency Agreement (and if capable of being remedied, is not remedied within 60 days);
- (xii) the Letter of Credit is not (or is classified by the LC Bank not to be) enforceable, valid or in full force and effective; and

(xiii) the LC Bank has delivered notice to the Company and the Trustee as contemplated by Condition 8(G) and the Reimbursement Agreement.

(xiv) there shall have been a default in payment by the LC Bank under the Letter of Credit.

The Company will notify the Trustee of the occurrence of any Event of Default. The Trustee will not be deemed to have knowledge of the occurrence of any Event of Default.

For the purposes of (iv) above, any indebtedness or obligation which is in a currency other than U.S. Dollars shall be translated into U.S. Dollars at the spot rate for the sale of U.S. Dollars against the purchase of the relevant currency quoted by any leading bank in the relevant market selected by the Company on any day when the Company requests such a quotation for such purposes.

For the purposes of (vi) above, “**Lien**” means any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any Subsidiary.

If any event specified in this Condition 10(A) shall occur upon the date on which notice as first mentioned in this Condition is given by the Trustee to the Company (the “Default Notice Date”), the Bonds will become immediately due and payable at the Settlement Equivalent of the principal of, interest and premium (if any) and other amounts on such Bonds on the Default Notice Date.

In case of (i) above, the amount due should be the Settlement Equivalent of the principal of, and premium (if any) and other amounts on such Bonds as of the original due date and the default interest in accordance with Condition 7(G).

(B) Other Provisions

Subject to the provisions of the following five paragraphs, the Conversion Right attached to any Bonds shall survive the provision of the default notice and the acceleration of the payment of the Bonds pursuant to clause (ii) of this Condition 10.

Notwithstanding receipt of such payment, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent during the period from and including the Default Notice Date (as defined below) with respect to an event specified in this Condition 10 (at which time the Company will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the seventh business day thereafter.

If a converting Bondholder deposits a Conversion Notice pursuant to this Condition 10 on the business day prior to, or during, a Closed Period, the Bondholder’s Conversion Right shall continue until the business day following the last day of the Closed Period which shall be deemed the Conversion Date, for the purposes of such Bondholder’s exercise of its Conversion Right pursuant to this Condition 10.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, the Company will issue Shares (which number will be disclosed to such Bondholders as soon as practicable after the Conversion Notice is given) in accordance with Condition 6(B)(iv), except that the Company shall have 12 business days before it is required to register the person designated in the Conversion Notice in the Company’s register of shareholders as the owner of the number of Shares to be transferred pursuant to Condition 6(B)(iii).

For the purposes of this Condition 10, “**business day**” shall mean a day other than a Saturday or Sunday on which banks are open for business in Taipei, London and Hong Kong.

11. Prescription

Claims against the Company for payment of principal and premium and other amounts in respect of the Bonds will become prescribed unless made within 10 years from the relevant date for payment in respect thereof.

12. Enforcement

At any time after the Bonds shall have become immediately due and repayable, the Trustee may, at the written direction of the Bondholders holding not less than 25% in principal amount of the Bonds then outstanding, and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds together with premium, if any, with respect thereto and to enforce the provisions of the Indenture, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or so directed by an Extraordinary Resolution and (b) it shall have indemnified or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so for 60 days and such failure shall be continuing.

13. Meetings of Bondholders, Modification and Waiver

(A) Meetings; Modifications Requiring Extraordinary Resolution

The Indenture contains provisions for convening meetings of Bondholders to consider any matter affecting their interests. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented.

Modifications and amendments of the Indenture or the Bonds may be made by the Company and the Trustee with the written consent of the Bondholders of not less than a majority in aggregate principal amount of the outstanding Bonds (and notice of such change shall be given to the Bondholders in accordance with Condition 15) and with the prior written consent of the LC Bank (with respect to any clause of the Indenture (subject to Condition 13(B)) and any of Conditions 1, 3, 5, 6, 8 and 10), unless the proposed modifications include, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the principal amount or premium or any other amount payable in respect of the Bonds, or Settlement Equivalent payable in respect of the Bonds or changing the method of calculation of interest or Settlement Equivalent, (iii) to change the currency of payment of the Bonds, (iv) to modify or cancel the Conversion Rights, (v) to modify or release the Letter of Credit, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33%, in principal amount of the Bonds for the time being outstanding and with the prior written consent of the LC Bank. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Indenture provides that a written resolution signed by or on behalf of the Bondholders of not less than 90% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The Indenture defines “**Extraordinary Resolution**” to mean a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of the Indenture by a majority consisting of not less than three-quarters of the votes cast thereon.

(B) Modifications without Consent

The Company, the Trustee and the Principal Paying Agent may enter into one or more indenture or indentures supplemental to the Indenture or the Agency Agreement for any of the following purposes: (i) to evidence the succession of another corporation to the Company and the assumption by such successor of the covenants and obligations of the Company under the Indenture and in, or with respect to, the Bonds, in the event of any merger, consolidation or other action in accordance with Condition 6(D) and Article 6 of the Indenture; or (ii) to add to the covenants of the Company for the benefit of the Holders of Bonds; or (iii) to surrender any right or power conferred upon the Company; or (iv) to reduce the Conversion Price then in effect; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein or which is otherwise defective, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture, provided, such action pursuant to this clause (v) shall not adversely affect the interest of the Bondholders; or (vi) to make any modification of the Bonds, the Indenture or the Agency Agreement of a formal, minor or technical nature or necessary in the opinion of the Trustee to correct a manifest error or, upon advice of counsel, to comply with mandatory provisions of ROC law, provided, such action pursuant to this clause (vi) shall not adversely affect the interest of the Bondholders. Any such modification, waiver or authorization will be binding on all of the Bondholders and upon all future Bondholders and, unless the Trustee agrees otherwise, any such modification will be notified to the Bondholders by the Company in accordance with Condition 15 as soon as practicable thereafter.

(C) In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Indenture. The Trustee is entitled to obtain and rely on a legal opinion or officers' certificate regarding the compliance of this Condition 13(B).

14. Replacement of Certificated Bonds

The Indenture includes provisions for the replacement of any mutilated, defaced, destroyed, stolen or lost Certificated Bonds at the specified office of the Registrar or at the specified office of any Paying Agent, including, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, the Singapore office of a Paying Agent, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and the Registrar may require. Mutilated or defaced Certificated Bonds must be surrendered before replacements will be issued.

In the event any such mutilated, destroyed, lost or stolen Certificated Bond has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Certificated Bond, pay such Bond.

15. Notices

Notices to Bondholders shall be validly given if in writing in English and mailed by first class mail to them at their respective addresses in the Bond Register. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear or Clearstream, or the Alternative Clearing System (as defined in Condition 18(F)), notices to holders of the Bonds will be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the foregoing sentence. Any such notice shall be deemed to have been given on the later of such delivery and the seventh day after being so mailed.

In addition, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notice shall be published, at the Company's expense, either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (www.sgx.com). Any such notice shall be deemed to have been given on the date of such publication.

The Company shall cause to be filed with the Trustee, and shall cause to be given to all Bondholders (A) at least seven days prior to the applicable record date (or date of submission to a meeting of the shareholders or directors of the Company for their approval, if such approval is required), if the Company shall (i) declare a dividend (or other distribution) on its Shares payable otherwise than in cash out of its retained earnings, or (ii) authorize the grant to the holders of its Shares of options, rights or warrants to subscribe for or purchase any Shares in the authorized capital of any class or of any other rights, (B) at least 20 days prior to the applicable record date, upon (i) a reclassification of the Shares (other than a subdivision or combination of its outstanding Shares), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any shareholders of the Company is required, or of any tender or exchange offer by the Company or any Subsidiary for all or any of the Shares, or of the conveyance, lease, sale or transfer of all or substantially all of the assets of the Company, or (ii) the voluntary or involuntary dissolution, liquidation or winding up of the Company, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Shares of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Shares of record shall be entitled to exchange their Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up, and (C) within five business days of the occurrence of an event after which the Company is obligated to provide notice pursuant to Condition 6(A).

For the purposes of this Condition, “**business day**” means a day other than a Saturday or Sunday on which banks are open for business in Taipei.

16. Indemnification

The Indenture contains provisions for the indemnification of the Trustee, its officers, employees and agents and for its relief from responsibility, including provisions relieving it from taking any actions to enforce repayment unless indemnified or secured to its satisfaction.

17. Governing Law and Jurisdiction

The Indenture, the Agency Agreement and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Agency Agreement and the Bonds, the Company has in the Indenture or the Agency Agreement, as the case may be, irrevocably submitted to the jurisdiction of the

State of New York and United States Federal courts sitting in the Borough of Manhattan, the City of New York. The Company has appointed Law Debenture Corporate Services, as its agent for service of process.

18. The Global Bond

The Global Bond contains provisions which apply to the Bonds in respect of which the Global Bond is issued, some of which modify the effect of the Conditions. The following is a summary of those provisions.

(A) Meetings

The registered Holders of the Global Bond will have one vote in respect of each US\$100,000 in principal amount of Bonds for which the Global Bond are issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Bond has been issued to attend and speak at a meeting of Bondholders on appropriate proof of its identity and interest.

(B) Cancellation

Cancellation of any Bond following its redemption, repurchase, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

(C) Trustee's Powers

In considering the interests of Bondholders, while the Global Bond is registered in the name of a nominee for a clearing system, the Trustee may, without being obliged to do so, have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to Bonds and may consider such interests as if such accountholders were the Bondholders.

(D) Conversion

Subject to the requirements of Euroclear and Clearstream, the Conversion Right attaching to a Bond in respect of which the Global Bond is issued may be exercised by the presentation to or to the order of the Principal Conversion Agent or to any Conversion Agent of one or more Conversion Notices duly completed by or on behalf of a Holder of a book-entry interest in the Bond. Such Conversion Notice is obtainable at, or may be delivered by, the Principal Conversion Agent or any Conversion Agent. Deposit of the Global Bond with the Conversion Agent together with the relevant Conversion Notice shall not be required. The Principal Conversion Agent or such other Conversion Agent shall notify the Registrar and the Holder of the Global Bond of the exercise of the Conversion Right.

(E) Payment

Payments in respect of Bonds, including the principal amount and any premium or other amount, represented by the Global Bond will be made without presentation or, if no further payment is to be made in respect of the Bonds, against presentation and surrender of the Global Bond to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

(F) Notices

So long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear, Clearstream or any Alternative Clearing System as shall have been designated by the Trustee (the "**Alternative Clearing System**"), notices to Bondholders may be given by

delivery of the relevant notice to Euroclear, Clearstream, or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions except that, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notices shall also be published either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (www.sgx.com).

(G) *Certificated Bonds*

Certificated Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Bond is issued, except where (i) the Common Depositary or any successor to the Common Depositary notifies us in writing that it is at any time unwilling or unable to continue as a depositary or if at any time it is no longer eligible to act as the Common Depositary for the Global Bond and a successor depositary is not appointed by us within 90 days, (ii) either Euroclear or Clearstream (or the Alternative Clearing System in which the Bonds evidenced by the Global Bond may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (iii) if any of the Bonds shall have become due and payable in accordance with Condition 10.

(H) *Transfers*

Transfers of interests in the Bonds will be effected through the records of Euroclear or Clearstream and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream and their respective direct and indirect participants.

(I) *Enforcement*

For the purposes of enforcement of the provisions of the Indenture against the Trustee, the persons named in a certificate of the Holder of the Bonds in respect of which the Global Bond is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the Holder, as if they were themselves the Bondholders in such principal amounts.

Trustee

Citicorp International Limited is the Trustee and Citibank, N.A., London Branch is the Registrar and Principal Agent. Citicorp International Limited and Citibank, N.A., London Branch, in each of its respective capacities, including without limitation as Trustee, Registrar and Principal Agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

Except during the continuance of an event of default, the Trustee will not be liable, except to the extent of its own gross negligence, bad faith or willful misconduct, for the performance of such duties as are specifically set forth in the Indenture and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its discretions, rights or powers under the indenture at the request of any holder, unless such holder shall have offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability, tax, cost or expense. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may refrain from taking any action if it would render it liable to any person in any jurisdiction or if, in its opinion based upon legal advice, it would not have the power to take such

action in that jurisdiction by virtue of any applicable law or if it is determined by any court or other competent authority in that jurisdiction that it does not have the power to take such action.

Pursuant to the terms of the Indenture, we will reimburse the Trustee, Registrar and Principal Agent for all fees, costs, taxes and expenses. The Indenture contains limitations on the rights of the Trustee, should it become our creditor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with us, including normal banking and trustee relationships. With respect to notices to holders of a beneficial interest in the Global Bond, such notices would be deemed to have been provided to such holders if the notices are sent to the clearing systems for dispatching to the holder.

DESCRIPTIONS OF THE LETTER OF CREDIT

ING Bank N.V., acting through its Taipei Branch (the “**Initial LC Bank**”) has agreed to issue a standby letter of credit (the “**Letter of Credit**”), pursuant to the reimbursement agreement dated July 10, 2014 in respect of the Letter of Credit between inter alios the Company, the LC Bank (as defined below), ING Bank N.V., Taipei Branch (as the facility agent), First Commercial Bank (as the security agent) and certain other banks and financial institutions (including the Initial LC Bank) (together, the “**Reimbursement Banks**”) (the “**Reimbursement Agreement**”). “**LC Bank**” refers to the Initial LC Bank or such other bank or financial institution as may replace the Initial LC Bank (or any replacement therefor) in accordance with the terms of the Letter of Credit.

The Letter of Credit will be issued on or prior to the Closing Date in favor of the Trustee for the benefit of holders of the Bonds and will be issued with an initial face value up to NT\$3,586,800,000 (being US\$120,000,000 converted into New Taiwan Dollars at the Fixed Exchange Rate), for payment of the Settlement Equivalent of principal and premium of the Bonds, as from time to time reduced by redemption or conversion or purchase and cancellation and will be reduced by any payments thereunder. The payment of the Letter of Credit will be made by the LC Bank to the Trustee in US Dollars, being the Settlement Equivalent of up to the then face value of the Letter of Credit.

The Letter of Credit does not support any other payment obligation of the Company save as above. For the avoidance of doubt and without limitation, the Letter of Credit does not support (1) payment by the Company of any amounts in respect of any ROC withholding tax; (2) payment by the Company of any interest under the Bonds (including default interest under Condition 7(F)); or (3) the Company’s obligations in respect of a conversion pursuant to Condition 6.

Any failure by the Company to comply with the Terms and Conditions of the Bonds will, upon expiry of the grace periods and periods to remedy such defaults as provided in the Terms and Conditions of the Bonds, result in the occurrence of an Event of Default under Condition 10. However, so long as (i) the Letter of Credit is outstanding, (ii) in respect of a payment default of the Company, in respect of principal such payment obligation of the Company is covered by the Letter of Credit, and (iii) there has been no payment default on the Letter of Credit, no action can be taken by the Trustee or the Bondholders to accelerate the Bonds without the prior written consent of the LC Bank save where the relevant Events of Default are any of those set out in Condition 10(A)(i), Condition 10(A)(ii), and Condition 10(A)(xii).

The Letter of Credit expires on the date falling three years and 30 days after the date of issue of the Bonds unless:

- (i) the Bonds are not issued by the date falling five (5) Bond Business Days (as defined in the Letter of Credit) after the date of the Letter of Credit (or such later date as the LC Bank may agree in writing with the Trustee and the Company), in which case the Letter of Credit shall expire at 5.00 p.m. (Taipei time) on that fifth Bond Business Day (or, as applicable, at 5.00 p.m. (Taipei time) on such later date as may have been so agreed);
- (ii) the principal amount of the Bonds has been reduced to zero and no further premium remains payable but unpaid, in which case the Letter of Credit shall expire on the date on which the LC Bank receives notice in writing of such reduction from the Trustee or the Principal Agent;
- (iii) any clause of the Indenture or Condition 1, 3, 5, 6, 7, 8 or 10 of the Description of the Bonds is amended, waived, supplemented or varied without the prior written consent of the LC Bank, in which case the Letter of Credit shall expire on the date such amendment, waiver, supplement or variation is effective; or
- (iv) following the delivery of a LC Redemption Event Notice (as defined in Condition 8(G)) by the LC Bank to the Trustee, the Letter of Credit is not drawn down by the Trustee in

accordance with Condition 8(G), in which case the Letter of Credit shall expire on the date falling 41 days from the date of delivery of such LC Redemption Event Notice to the Trustee.

See “Description of the Bonds — 1. Status and Letter of Credit”.

If the Company fails to pay any Settlement Equivalent of principal or premium (if any) on any due date under the Description of the Bonds, the Principal Agent shall immediately notify the Trustee of such failure to pay. The Trustee shall (to the extent it is entitled to do so in accordance with the terms of the Letter of Credit) as soon as practicable, make a drawing on the Letter of Credit in an amount equal to any payment due on the Bonds but not paid by the Company to the extent that such payments are covered by the Letter of Credit. The Trustee is entitled to make a drawing on the Letter of Credit (i) within 30 days of the relevant due date or (ii) in the event that an LC Redemption Event Notice has been delivered, within 41 days from the date of delivery of the LC Redemption Event Notice by the LC Bank to the Trustee.

Each drawing on the Letter of Credit will be payable within seven Bond Business Days (as defined in the Letter of Credit) after the date of the presentation of a notice of drawing by the Trustee in accordance with the terms of the Letter of Credit. Such payment will be made by the LC Bank into a U.S. Dollar account designated by the Trustee.

The following is a summary description of the events of default under the Reimbursement Agreement:

- failure to pay by the Company;
- failure by the Company to deposit certain amounts in accordance with the Reimbursement Agreement upon the occurrence of certain events;
- an Event of Default occurs under the Bonds;
- breach of any obligations, undertakings or covenants of the Company under the Reimbursement Agreement provided that, such event shall not constitute an event of default under the Reimbursement Agreement if, with respect to such event, the Company shall have deposited the required amount of funds into the relevant account;
- misrepresentation by the Company;
- cross default in relation to the Company or any of its Subsidiaries;
- the Company’s inability to pay its debts as they become due;
- value of the assets of the Company is less than its liabilities;
- a moratorium, standstill or similar suspension of payment is declared in respect of any indebtedness of the Company;
- insolvency proceedings against the Company are commenced;
- any assets of the Company are subject to any attachment, compulsory execution, injunction, auction, or any expropriation, seizure, taking custody or disposal limitation by any governmental authority or other similar proceedings;
- unlawfulness of the Reimbursement Agreement;
- cessation of Listing of the Bonds or the shares of the Company in the recognized share exchange;

- a judgment adversely impacting the Company's ability to perform under the Reimbursement Agreement is rendered or failure by the Company to pay any sum due from it under any final judgment or order of a court;
- cessation of all or a material part of business of the Company;
- there is a material adverse change in the business, operations, assets or financial conditions of the Company; and
- the outstanding amount of the Secured Obligations has been fixed for the purpose of the Real Property Mortgage Agreement and/or the Chattel Mortgage Agreement as defined under the Reimbursement Agreement.

The LC Bank is entitled, following an event of default under the Reimbursement Agreement, to give the LC Redemption Notice to the Company, the Principal Agent and the Trustee requiring the Company to redeem the Bonds at the Settlement Equivalent of the Early Redemption Amount as at the LC Redemption Event Date. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (G) LC Redemption Event."

The Reimbursement Agreement provides for the issue of the Letter of Credit by the Initial LC Bank and participation of the Reimbursement Banks and reimbursement by the Company, of all amounts drawn under the Letter of Credit. The Reimbursement Agreement provides that the Reimbursement Banks may transfer or assign their rights and obligations under the Reimbursement Agreement to certain other banks and financial institutions. The Reimbursement Banks and the LC Bank have certain rights, powers and discretions under the Reimbursement Agreement which include the calling of certain events of default thereunder.

The Reimbursement Agreement also contains financial covenants that among others, the Company is required to comply with, including a ratio of total current assets to total current liabilities not less than 100%, a ratio of total liabilities to total tangible net worth not exceeding 125%, a ratio of EBITDA to interest expenses not less than 300% and the total tangible net worth no less than NT\$10 billion; provided, however, that, under certain circumstances specified in the Reimbursement Agreement, a breach of certain financial covenants by the Company will not immediately constitute an event of default under the Reimbursement Agreement if such breach has been cured within 90 days after the breach or the required funds have been deposited into a sinking fund account pursuant to the Reimbursement Agreement.

The Company has been advised that the Initial LC Bank's senior unsecured obligations are, at the date of the Reimbursement Agreement, rated A2 by Moody's Investors Service, Inc. and A by Standard & Poor's Rating Service.

The LC Bank may transfer by novation or assignment all or any of its rights and obligations under the Letter of Credit (a) to another bank or financial institution which has a rating of at least A by Standard & Poor's Rating Service or A2 by Moody's Investors Service, Inc. and (b) where the novation or assignment relates to all the rights and obligations of the LC Bank. Any transfer by novation by the LC Bank requires the prior consent of the Trustee and is subject to certain other requirements as set out in the Reimbursement Agreement. In the case of transfer by novation or assignment of the LC Bank's rights and obligations under the Letter of Credit, after the Trustee delivers to the LC Bank a duly completed surrender certificate for surrender the Letter of Credit due to a transfer by novation or assignment of its rights and obligations under the Letter of Credit by the LC Bank, the Letter of Credit issued by the LC Bank shall be replaced by the new letter of credit issued by the new LC Bank and expire on the date of receipt by the LC Bank of such certificate.

The LC Bank may exercise its rights under the Reimbursement Agreement without regard to the interests of the holders of the Bonds, and there can be no assurance that the rights of the holders of the Bonds, the value of the Bonds and the period during which these rights may remain available for exercise may not be adversely affected as a result.

THE LETTER OF CREDIT BANK

Incorporation and History

ING Groep N.V. (“**ING Group**”) was founded in 1991 by a merger between Nationale-Nederlanden and NMB Postbank Group. The roots of ING can be traced to the insurers De Nationale Levensverzekering Bank and De Nederlanden van 1845 and to the public bank services such as De Rijkspostspaarbank and De Postcheque- and Girodienst, as well as to the Nederlandsche Middenstands Bank. These are the legal predecessors of the ‘founding fathers’ of ING Group: Nationale-Nederlanden and NMB Postbank Group.

ING Group has developed into a multinational company with Dutch roots. This was achieved through a mixture of organic growth and large acquisitions. ING Bank forms the main part of ING Group.

ING Bank’s articles of association were last amended by execution of a deed of amendment on December 13, 2013. ING Bank is registered at the Chamber of Commerce of Amsterdam under no. 33031431. The registered office of ING Bank is located at Amsterdamse Poort, Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands.

According to its articles of association, the objective of ING Bank is to conduct banking business in the widest sense, including insurance brokerage, to acquire, build and operate real estate, to participate in, manage, finance and furnish personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, but in particular enterprises and institutions which engage in lending, investment and/or other financial services, and to engage in any activity which may be related or conducive to the forgoing.

Overview

ING Bank is part of ING Group. ING Group is the holding company for a broad spectrum of companies (together, “**ING**”). ING Group holds all shares of ING Bank N.V., which is a non-listed 100% subsidiary of ING Group.

ING is a global financial institution of Dutch origin offering banking services through its operating company ING Bank and holding significant stakes in the listed issuers NN Group N.V. and Voya Financial, Inc. ING draws on its experience and expertise, its commitment to excellent service and its global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

In line with its strategic direction originally announced in 2009, ING completed the separation of its banking operations (which are conducted principally through ING Bank) and insurance operations (which are conducted principally through NN Group N.V. and its subsidiaries). NN Group N.V. was listed on Euronext Amsterdam on July 2, 2014.

ING Bank currently offers Retail Banking services to individuals and small and medium-sized enterprises (“**SMEs**”) in Europe, Asia and Australia and Commercial Banking services to customers around the world, including multinational corporations, governments, financial institutions and supranational organizations. ING Bank currently serves more than 33 million customers through an extensive network in more than 40 countries. ING Bank has more than 63,000 employees.

ING Bank’s reporting structure reflects the two main business lines through which it is active: Retail Banking and Commercial Banking.

Retail Banking

Retail Banking provides banking services to individuals and SMEs in Europe, Asia and Australia. A full range of products and services is provided, albeit offerings may vary according to local demand.

ING Bank views Retail Banking as having leading positions in the Benelux, Germany, Australia and Poland. It also operates in a number of other markets – Spain, France, Austria, Italy, Romania, Turkey and India – where it challenges the established players. It has equity positions in TMB Bank (Thailand) and Bank of Beijing (China).

Retail Banking has the same strategic focus in each country where it conducts business: to provide easy and fair banking, at low cost, according to the “direct if possible, advice when needed” principle.

Commercial Banking

ING Bank views Commercial Banking as a European franchise with a market-leading position in the Benelux and a good position in the rest of Europe, in particular in Central and Eastern Europe. ING Bank further views Commercial Banking as having a global franchise and market-leading positions in selected areas in Industry Lending and in liquidity management, as well as focused and efficient global Trade Finance Services and Financial Markets businesses. ING Bank is a relationship bank for clients around the world and serves a range of organizations, including multinational corporations, governments, financial institutions and supranational organizations, through an extensive network of offices in more than 40 countries. ING Bank provides a range of products and services to support its clients’ needs. ING Bank’s lending capabilities anchor most of its client relationships. Transaction services products, such as International Payments & Cash Management, Trade Banking and Working Capital Solutions are tailored, through integrated solutions and advice, to meet ING Bank’s clients’ short- and long-term banking and liquidity requirements. Financial Markets, as ING Bank’s gateway to the professional markets of the world, services its clients’ everyday needs in treasury services through access to capital markets, risk management and structured financial products.

ING Bank is progressing with building integrated domestic banks by combining Retail Banking’s deposit-gathering capabilities with Commercial Banking’s origination capabilities, resulting in a further strengthening of its business model.

The authorized share capital of ING Bank N.V. amounted to EUR 1,808 million at December 31, 2013, consisting of 1,600 million ordinary shares with a nominal value of EUR 1.13 each and 50 preference shares, with a nominal value of EUR 1.13 each. The issued and paid-up capital amounted to EUR 525 million, consisting of 465 million ordinary shares and seven preference shares at December 31, 2013.

Management

ING Bank has a two-tier board system, consisting of a Supervisory Board and a Management Board. The Supervisory Board supervises the policies of the Management Board and the general course of events in the company, and assists the Management Board by providing advice. The Management Board is responsible for the daily management of the company.

The composition of the Management Board and Supervisory Board of ING Bank as at July 9, 2014 is as follows:

Management Board

R.A.J.G. Hamers, chief executive officer
J.V. Timmermans, vice-chairman
P.G. Flynn, chief financial officer
W.F. Nagel, chief risk officer
W.L. Connelly
C.P.A.J. Leenaars
R.M.M. Louwhoff
H. van der Noordaa

Supervisory Board

J. van der Veer, chairman
E.F.C.B. Boyer de la Giroday
H.W. Breukink
I. Martín Castellá
C.W. Gorter
H.J.M. Lamberti
J.C.L. Kuiper
R.W.P. Reibestein

The business address of all the Management Board and the Supervisory Board members is the registered office of ING Bank.

Statutory Auditors

ING Bank's financial year is the calendar year. ING Bank is required by Netherlands law to have statutory auditors. Ernst & Young Accountants LLP acts as the auditors of ING Bank's financial statements.

Recent Developments

ING is grateful for the support the Dutch State extended during the financial crisis years 2008 and 2009. In 2013, two major milestones were reached:

- An agreement was reached with the Dutch State on the unwinding of the Illiquid Asset Back Up Facility ("IABF"). The facility was established in 2009, at the depth of the financial crisis, in order to reduce the risk and uncertainty for ING from the portfolio of Alt-A securities. Market developments allowed the unwinding of the facility, including the start of the sale of the Alt-A securities, with an expected cash profit for the Dutch State of approximately EUR 0.4 billion.

Unwinding the IABF also freed up EUR 2 billion of ING Bank's risk-weighted assets and is expected to add approximately 10 basis points to ING Bank's core Tier 1 ratio. As a result of the unwinding, the restrictions as part of the IABF agreement will no longer be applicable, including the right of the Dutch State to nominate two members for appointment to the Supervisory Board. The Dutch State nominated member of the Supervisory Board will no longer have special approval rights regarding certain decisions and will have a position equal to the other members of the Supervisory Board. The unwinding was completed in early 2014 and resulted in a cash profit for the Dutch State of EUR 1.4 billion.

- Strong capital generation at ING Bank facilitated the payment of another tranche of Core Tier 1 Securities on 6 November 2013, reducing the principal amount of outstanding Dutch State aid at 31 December 2013 to EUR 1.5 billion. ING received EUR 10 billion in state aid from the Dutch State in November 2008. Including the latest repayment in March 2014, ING has so far repaid EUR 12.5 billion to the Dutch State, including EUR 9.3 billion in principal and EUR 3.2 billion in interest and premiums. The final tranche of EUR 1.025 billion is scheduled to be paid by May 2015. The total annualized return for the Dutch State is expected to be 12.5%.

The total contribution to the Dutch State at December 31, 2013 of EUR 4.9 billion includes premiums and interest on the repayment of Core Tier 1 Securities, the unwinding of the IABF, guarantee fees paid on the government guaranteed bonds issued in 2009 and bank levies.

ING also reduced the Dutch State guaranteed funding by EUR 3.6 billion to EUR 2.5 billion at year-end 2013. The remaining bonds matured in March 2014.

Any press releases issued by ING Group can be obtained from the ING Group website at <http://www.ing.com/Newsroom.htm>.

Five-Year Key Consolidated Figures for ING Bank N.V. ⁽¹⁾

	2013	2012	2011	2010	2009
	(EUR millions)				
Balance sheet⁽²⁾					
Total assets	787,644	834,433	961,603	933,073	882,119
Total equity	33,760	35,807	35,498	35,069	31,217
Deposits and funds borrowed ⁽³⁾	624,339	633,756	682,523	717,222	671,194
Loans and advances	508,338	541,546	577,569	587,448	551,774
Results⁽⁴⁾					
Total income	15,327	16,298	17,195	17,901	13,665
Operating expenses	8,805	9,630	10,239	10,167	10,192
Additions to loan loss provisions	2,289	2,125	1,670	1,751	2,973
Result before tax	4,233	4,543	5,286	5,983	500
Taxation	1,080	1,171	1,215	1,408	–43
Net result (before minority interests)	3,153	3,372	4,071	4,575	543
Attributable to Shareholders of the parent . . .	3,063	3,281	3,993	4,495	684
Ratios (in %)					
BIS ratio ⁽⁵⁾	16.46	16.96	14.26	15.30	13.46
Tier 1 ratio ⁽⁶⁾	13.53	14.40	11.69	12.25	10.23

Notes:

- (1) These figures have been derived from the audited annual accounts of ING Bank N.V. in respect of the financial years ended December 31, 2009 to 2013, respectively, provided that certain figures in respect of the financial years ended December 31, 2009 to 2012, respectively, have been restated to reflect new pension accounting requirements under IFRS that took effect on January 1, 2013.
- (2) At 31 December.
- (3) Figures including Banks and Debt securities.
- (4) For the year ended 31 December.
- (5) BIS ratio = BIS capital as a percentage of Risk Weighted Assets. Note: These Risk Weighted Assets are based on Basel II.
- (6) Tier 1 ratio = Available Tier 1 capital as a percentage of Risk Weighted Assets. Note: These Risk Weighted Assets are based on Basel II.

Further information on ING Group

Extensive information on ING Group, such as annual reports and press releases can be found in the ING Group website at <http://www.ing.com>.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Shares.

This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law.

Except in certain limited circumstances, interests in the Bonds may only be held through owning beneficial interests in the Global Bond. Interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. See “Description of the Bonds — The Global Bond” Each owner of Bonds, by its acceptance of the Bonds, will be deemed to have acknowledged and represented to and agreed with our company and the Joint Bookrunners as follows (terms used that are defined in Regulation S are used as so defined):

- (1) The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States or other jurisdiction and are subject to significant restrictions on transfer.
- (2) Each owner is purchasing Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S.
- (3) Such owner will not offer, sell, pledge or otherwise transfer any Bonds and the Shares, except as permitted by the applicable legend set forth in paragraph (4) below.
- (4) The Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE BONDS EVIDENCED HEREBY AND THE COMMON SHARES (“SHARES”) OF NEO SOLAR POWER CORPORATION (“NSP”) ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, SUCH BONDS MAY (X) NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY U.S. PERSON OUTSIDE THE UNITED STATES OR ANY PERSON IN THE UNITED STATES AND (Y) BE CONVERTED INTO SHARES OF NSP ONLY BY PERSONS LOCATED OUTSIDE THE UNITED STATES. ANY CONVERSION NOTICE PROVIDED BY A CONVERTING BONDHOLDER MUST INCLUDE A CERTIFICATION THAT, AT THE TIME OF SUCH CONVERSION, THE CONVERTING HOLDER IS NOT IN THE UNITED STATES, IS NOT A PRC PERSON AND IS NOT CONVERTING BONDS ON BEHALF OF A PRC PERSON. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulations S is advised that we have received approval-in-principle for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST is a “designated offshore securities market” (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

ROC TAXATION

The following summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds or the Shares to a non-resident individual or non-resident entity that holds such Bonds or Shares (a “Non-ROC Holder”). A “non-resident individual” (a “Non-ROC Individual Holder”) is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Bonds or the Shares and a “non-resident entity” (a “Non-ROC Entity Holder”) is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

Bonds

Interest

Payments of interest or premium (if any) on a Bond to a Non-ROC Holder constitute interest income and, therefore, are subject to ROC withholding tax at the rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. The Company has agreed to pay Additional Amounts in respect of such withholding tax on the payments of interest or premium. See “Description of the Bonds.”

Sale

Capital Gains

Capital gains generated from transactions of corporate bonds issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of the Bonds.

Securities Transaction Tax

Securities transaction tax does not apply to transactions of corporate bonds which are convertible and are offered outside of the ROC; accordingly, no securities transaction tax will be imposed on the sale or transfer of the Bonds.

However, securities transaction tax, gift tax and/or income tax may be imposed in relation to the Bondholder’s designation of other persons to be the holder of the Shares upon the conversion of the Bonds.

Conversion into Shares

The conversion of Bonds into Shares will not be taxable to Non-ROC Holders under ROC income tax law.

Stamp Duty

There is no ROC stamp tax, issue or registration fee imposed on the issuance of the Shares upon conversion of the Bonds.

Shares

Dividends

Dividends (whether in cash or Shares) declared by the Company out of its retained earnings and distributed to a Non-ROC Holder in respect of the Shares are subject to ROC withholding tax, currently at the rate of 20%, on the amount of the distribution (in the case of cash dividends) or on the par value of the Shares (in the case of stock dividends) unless a lower withholding rate is provided under an applicable tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident.

A 10% retained earnings tax is imposed on an ROC company's after-tax earnings generated after January 1, 1998 that are not distributed in the following year. The retained earnings tax so paid reduces the retained earnings available for future distribution. When the company declares a dividend out of those retained earnings, a maximum amount of up to 10% of the declared dividend is credited against the 20% withholding tax imposed on a dividend to the Non-ROC Holders so that the actual withholding tax imposed on the non-ROC Holders may be less than 20%. However, starting from January 1, 2015, only up to 5% of the declared dividend can be credited against the 20% withholding tax. Distributions of capital reserves by the Company are not subject to withholding tax, except under limited circumstances.

Sale

Capital Gains

Starting from January 1, 2013, Non-ROC Entity Holders remain exempt from income tax on capital gains from the sale or disposal of the Shares. However, Non-ROC Individual Holders are now subject to ROC income tax on capital gains from the sale or disposal of the Shares. Capital loss incurred therefrom can be deducted from capital gains in calculating the net capital gain and income tax liability, but cannot be carried forward to subsequent years. Capital gains are taxed at a flat rate of 15%. In addition, only 50% of the net capital gains are subject to income tax if the Non-ROC Individual Holder has held the underlying Shares for one year or longer. As a result, the tax agent of each Non-ROC Individual Holder should pay the income tax payable, if any, and file an income tax return in May 2014 for the capital gains that the Non-ROC Individual Holder generates in year 2013. However, if Non-ROC Individual Holders leave Taiwan prior to the end of the tax year, they shall instead file departure returns before leaving.

Securities Transaction Tax

Securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of the Shares.

Pre-emptive Rights

Distributions of statutory subscription rights for the Shares in compliance with the ROC Company Law are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Entity Holders remain exempt, after January 1, 2013, from income tax on capital gains from such sale. However, Non-ROC Individual Holders are now subject to ROC income tax on capital gains from such sale. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to income tax at the rate of 20% of the gains realized. Subject to compliance with ROC laws, the Company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuance of securities.

Estate Tax and Gift Tax

Subject to allowable exclusions, deductions and exemptions, ROC estate tax is payable on any property located within the ROC of a deceased Non-ROC Individual, and ROC gift tax is payable on any property located within the ROC donated by a Non-ROC Individual. Estate tax and gift tax are currently imposed at the rate of 10%. Under ROC estate and gift tax law, bonds and shares issued by ROC companies are deemed located within the ROC regardless of the location of the owner.

Tax Treaties

At present, the ROC has income tax treaties with Australia, Gambia, Indonesia, Malaysia, Macedonia, the United Kingdom, the Netherlands, New Zealand, Singapore, South Africa, Swaziland, Vietnam, Senegal, Belgium, Sweden, Denmark, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany and Thailand which limit the rate of withholding tax on dividends or interest paid by ROC companies to residents of these countries. Holders of the Bonds or the Shares should consult their own tax advisers concerning their eligibility for benefits under an income tax treaty with respect to the Bonds or the Shares.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated July 10, 2014 (the “**Purchase Agreement**”), the Initial Purchasers, for whom Daiwa Capital Markets Hong Kong Limited and ING Bank N.V., Hong Kong Branch are acting as representatives, have severally but not jointly agreed to purchase from us, the following respective principal amount of the Bonds set forth opposite the name of the Initial Purchasers:

Initial Purchasers	Principal amount of Bonds
Daiwa Capital Markets Hong Kong Limited	US\$60,000,000
ING Bank N.V., Hong Kong Branch	US\$60,000,000
Total	US\$120,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Bonds included in this offering are subject to certain conditions precedent, including receipt of certain legal opinions. The Initial Purchasers are obligated to purchase all the Bonds if they purchase any of the Bonds. The purchase agreement also provides that if an Initial Purchaser defaults, the purchase commitments of non-defaulting purchasers may be increased or the offering may be terminated.

The Initial Purchasers have agreed to purchase the Bonds at the offering price set forth on the cover page of this Offering Circular. We have been advised that Initial Purchasers propose to resell the Bonds at the offering price set forth on the cover page of this Offering Circular outside the United States in reliance on Regulation S.

The Bonds and the underlying Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See “Transfer Restrictions.”

Accordingly, in connection with sales outside the United States, the Initial Purchasers have agreed that, except as permitted by the Purchase Agreement and as set forth in the “Transfer Restrictions”, it will not offer or sell the Bonds within the United States, and it will have sent to each dealer to which it sells the Bonds a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States.

For a period of 90 days after the date hereof (the “**Lock-Up Period**”), we will not, without the prior written consent of the representatives on behalf of the Initial Purchasers and subject to certain exceptions as set forth below, directly or indirectly, take any of the following actions with respect to any (1) Bonds, (2) Shares or other capital stock of our company, (3) any securities convertible into or exchangeable or exercisable for any Shares or other capital stock of our company, (4) securities of the same class as the Bonds, the Shares or other capital stock of our company or (5) other instruments representing interests in securities of the same class as the Bonds, the Shares or other capital stock of our company (collectively, the “**Lock-Up Securities**”): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of any Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase any Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of any Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in any Lock-Up Securities within the meaning of Section 16 of the United States Exchange Act of 1934, as amended (the “**Exchange Act**”), or (v) file with the United States Securities and Exchange Commission (the “**SEC**”) a registration statement under the U.S. Securities Act, relating to any Lock-Up Securities or depositary shares representing the right to receive any such securities or publicly disclose the intention to take any such action described in clauses (i) through (v) above, whether any such action or transaction is to be settled by delivery of the Bonds, the Shares or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the sale of the Bonds, (B) issuances of Lock-Up Securities pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of

warrants or options, in each case outstanding on the date hereof, (C) grants of employee stock options and employee restricted Shares pursuant to the terms of an employee stock option plan in effect on the date hereof of, (D) issuances of Lock-Up Securities pursuant to the exercise of such employee stock options referred to in clause (C), or (E) the preparation work for the purpose of effecting the potential Rights Issuance in the ROC, including attending filing with relevant regulatory bodies in the ROC and the disclosure by way of public announcement(s) relating to such potential Rights Issuance as required by such relevant regulatory bodies or under relevant laws of the ROC, provided that the ex-rights date in respect of such potential Rights Issuance shall fall only after expiry of the Lock-Up Period. We will not at any time directly or indirectly, take any action referred to in clauses (i) through (v) above with respect to any securities under circumstances where such offer, sale, pledge, contract or disposition would require the registration of the Bonds under the U.S. Securities Act.

Certain of our officers, directors and shareholders have agreed that they will not, during the Lock-Up Period, without the prior written consent of the representatives on behalf of the Initial Purchasers and subject to certain exceptions, (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of any Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase any Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of any Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in any Lock-Up Securities within the meaning of Section 16 of the Exchange Act, or (v) file with the SEC a registration statement under the U.S. Securities Act, relating to any Lock-Up Securities or depositary shares representing the right to receive any such securities or publicly disclose the intention to take any such action described in clauses (i) through (v) above, whether any such action or transaction is to be settled by delivery of the Bonds, the Shares or such other securities, in cash or otherwise.

In the ordinary course of their respective businesses, the representatives have engaged and may in the future engage in commercial banking and/or investment banking transaction with our company and our affiliates. In addition, in connection with the Bonds, ING Bank N.V., acting through its Taipei Branch, an affiliate of ING Bank N.V., Hong Kong Branch, will issue an irrevocable standby letter of credit in favor of the Trustee for the benefit of holders of the Bonds. For additional information, see “Description of the Letter of Credit”.

The Bonds are new issue of securities for which there currently is no trading market. We have received approval in-principle for the listing and quotation of the Bonds on the SGX-ST. Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Bonds or the Shares. There are also no market outside of Taiwan for the Shares. The Shares will not be listed on the SGX-ST. We have undertaken to list the Shares on the TWSE upon the conversion of the Bonds. The Initial Purchasers have advised us that they intend to make a market in the Bonds as permitted by applicable laws. They are not obligated, however, to make a market in the Bonds and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments the Initial Purchasers may be required to make because of any of those liabilities.

The Initial Purchasers and their affiliates may from time to time engage in transactions with, and perform services for, us and our affiliates in the ordinary course of business, and have also engaged, or may in the future engage, in commercial banking and investment banking transactions with us or our affiliates, for which they have received, and may in the future receive, customary compensation.

Affiliates of the Initial Purchasers may purchase Bonds for their own account or enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps

relating to the Bonds and/or our other securities, and (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions.

United Kingdom

The Initial Purchasers have represented and agreed that (1) it has not offered or sold and, prior to the expiry of the period of six months from the closing date, will not offer or sell any Bond to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended); (2) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000, or FSMA, with respect to anything done by it in relation to the Bonds in, from or otherwise involving, the United Kingdom; and (3) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of such Bonds in circumstances in which section 21(1) of the FSMA does not apply to us.

Hong Kong

The Initial Purchasers have represented and agreed that:

- (1) it has not offered or sold and will not offer or sell the Bonds in Hong Kong, by means of any document other than:
 - (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or
 - (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (2) it has not issued or had in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be assessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds that are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

The Initial Purchasers have represented, warranted and agreed that they have not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase nor will they offer or sell the Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, nor have they circulated or distributed nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the

offer or sale, or invitation for subscription or purchase, of Bonds may not be circulated or distributed, nor may Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
- (c) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (1) where no consideration is or will be given for the transfer;
 - (2) where the transfer is by operation of law;
 - (3) as specified in Section 276(7) of the SFA; or
- (d) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

The ROC

The Initial Purchasers have agreed that, as part of the distribution of the Bonds, they have not offered or sold, and will not offer or sell, any Bond directly or indirectly in the ROC; the Initial Purchasers also understand and have acknowledged and agreed that the Bonds may not be sold to any related person of us (as defined in the IAS 24) or any person listed in Article 36 of the Chinese Securities Association Regulations Governing Underwriting and Resale of Securities by Securities Firms.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the “**Financial Instruments and Exchange Law**”). The Initial Purchasers represented and agreed that they have not offered or sold and will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the regulation requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws, regulations and ministerial guidelines of Japan.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), the Initial Purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of Goldman Sachs International for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require us or any Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The PRC

This Offering Circular does not constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

United States

The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act for offer or sale as part of their distribution and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the U.S. Securities Act. The Bonds are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN TAIWAN IFRSs AND IFRSs

As stipulated by the ROC FSC, starting 2013, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the “**IFRSs**”) endorsed by the FSC (the “**Taiwan IFRSs**”). On January 28, 2014, FSC announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version).

Our consolidated financial statements are prepared and presented in accordance with Taiwan IFRSs. Taiwan IFRSs and IFRSs differ in certain significant respects. A brief description of certain significant differences between Taiwan IFRSs and IFRSs is set forth below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between Taiwan IFRSs and IFRSs, including those specifically related to Neo Solar Power Corporation or to the industries in which we operate. No attempt has been made to identify (a) future differences between Taiwan IFRSs and IFRSs as a result of prescribed changes in accounting standards, or (b) disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the financial statements of Neo Solar Power Corporation or the notes thereto. Further, had we undertaken to identify the differences specifically affecting the financial statements presented in this offering circular, other potentially significant differences which are not in the following summary may have come to our attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on our financial statements. Management has not quantified the effects of the differences between Taiwan IFRSs and IFRSs on any of the financial results of Neo Solar Power Corporation.

Subject	Taiwan IFRSs	IFRSs
Tax on undistributed earnings	Under Taiwan IFRSs, companies in the ROC are subject to 10% surtax on profits earned and retained since December 31, 1997. If the retained profits are distributed to the shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to the shareholders, surtax is recorded as income tax expenses in the fiscal year when shareholders’ decision on distribution is made.	Under IFRSs, current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent of the distributions approved by the shareholders in the following year.
Fair value measurement	As IFRS 13 “Fair Value Measurement” had not been effective for the financial statements included elsewhere in this Offering Circular, there is no single source of guidance for fair value measurements. Fair value disclosures are not as extensive as those required under IFRSs,	IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires extensive disclosures about fair value measurements.
Presentation of items of other comprehensive income	As amendment to IAS 1 “Presentation of Items of Other Comprehensive Income” had not been effective for the financial statements included elsewhere in this Offering Circular, there are no such requirements.	Under IFRSs, an entity should group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified.
Disclosure of interests in other entities	As IFRS 12 “Disclosure of Interest in Other Entities” had not been effective for the financial statements included elsewhere in this Offering Circular, the related disclosures are not as extensive as those required under IFRSs.	Under IFRSs, an entity is required to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

Subject	Taiwan IFRSs	IFRSs
Consolidated Financial Statements	As IFRS 10 “Consolidated Financial Statements” had not been effective for the financial statements included elsewhere in this Offering Circular, IAS 27 and SIC 12 were followed for the basis for consolidation.	IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation — Special Purpose Entities.” An entity considers whether it has control over other entities for consolidation. An entity has control over an investee only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee; and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.
Definition of related party (substantive related party)	Unless the entity can be established that no control or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the notes to the financial reports in accordance with IAS 24: (1) An affiliated enterprise within the meaning given in Chapter VI-I of the Company Act, and any of its directors, supervisors, and managerial officers. (2) A company or institution governed by the same general management office as the issuer, and any of its directors, supervisors, and managerial officers. (3) A person holding the position of manager or higher in the general management office. (4) A company or institution shown as an affiliated enterprise in the issuer’s publications or public announcements.	No such specific guidance.
Form of the condensed financial statements and the periods to be included	The balance sheets, statements of comprehensive, changes in equity and cash flows for interim financial reports shall be in a complete form; condensed form is not acceptable. Entities have to present balance sheets as of the end of the current interim period, as of the end of the immediately preceding financial year, and as of the end of the comparable interim periods of the immediately preceding financial year.	The statements of financial position, statements of comprehensive, changes in equity and cash flows for interim financial reports could be in a condensed form. The periods presented in the statements of financial position should include the end of the current interim period and the end of the immediately preceding financial year.

LEGAL MATTERS

Certain legal matters in connection with this offering as to ROC law will be passed upon for us by Jones Day, Taipei, Taiwan. Certain legal matters in connection with this offering will be passed upon for the initial purchasers as to New York State and United States federal law by Simpson Thacher & Bartlett.

INDEPENDENT AUDITORS

Our consolidated financial statements as of January 1, 2012, December 31, 2012 and December 31, 2013 and for the years ended December 31, 2012 and 2013 included in this offering circular have been audited by Deloitte & Touche, independent auditors, as indicated in their reports with respect thereto, included herein. Such reports express an unqualified opinion on the financial statements and include explanatory paragraph relating to convenience translation of New Taiwan dollar amounts into U.S. dollar amounts. Deloitte & Touche is located at 6th Floor, Allied Association Industries, 2 Prosperity Road 1, Hsinchu Science-Based Industrial Park, Hsinchu, Taiwan, Republic of China. They are a member of the Taiwan CPA Association.

With respect to our unaudited consolidated interim financial statements as of and for the three-months period ended March 31, 2013 and 2014 including in this offering circular, Deloitte & Touche, independent accountants, have reported that they have applied limited procedures in accordance with professional standards for a review of such financial statements in accordance with ROC Statement of Auditing Standards No. 36, "Review of Financial Statements." However, the separate review report included in this offering circular states that they did not audit and do not express an opinion on such interim financial statements. In addition, such review report is qualified because of the omission of procedures related to accounts supporting our subsidiaries and equity method investments. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied. Such review report also included an explanatory paragraph relating to convenience translation of New Taiwan dollar amounts into U.S. dollar amounts.

GENERAL INFORMATION

1. We are a company limited by shares and incorporated under the laws of the ROC on August 26, 2005. As of the date of this Offering Circular, our authorized share capital registered with the Ministry of Economic Affairs was 800,000,000 Common Shares, NT\$10 par value, with a paid-up share capital of NT\$7,870,837,920. Our registered and principal executive office is located at 7, Li-Hsin 3rd Rd, Hsinchu Science Park, Hsinchu, Taiwan 30078, Republic of China, and our telephone number at the above address is (886-3) 578-0011. Chinatrust Commercial Bank Co., Ltd. currently acts as our share registrar and maintains our register of shareholders at its offices in Taipei, Taiwan, and enters transfers of our Shares in such register upon presentation of, among other documents, certificates in respect of the transferred Common Shares. The registered office of our share registrar is at 6F, No. 83, Section 1, Chong-Qing South Road, Taipei, Taiwan. The uniform number assigned to us is 27763753.
2. We have received approval-in-principle from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in foreign currencies) on the SGX-ST for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a Paying Agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bond is exchanged for Certificated Bonds. In addition, in the event that the Global Bond is exchanged for Certificated Bonds, announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Bonds, including details of the Paying Agent in Singapore.
3. The Bonds have been accepted for clearance through Euroclear and Clearstream. The ISIN for the Bonds is XS1084821849 and the common code for the Bonds is 108482184.
4. The offering of the Bonds was authorized by resolutions of our directors dated August 13, 2013. We have obtained all necessary consents, approvals and authorizations as may be required in connection with the offer and sale of the Bonds.
5. Save as disclosed in this Offering Circular, neither we nor our subsidiaries are involved in any material litigation or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Offering Circular, a material adverse effect on our financial position or the financial position of our company and our subsidiaries, taken as a whole, nor, so far as we or our subsidiaries are aware, are there any such proceedings pending or threatened.
6. For so long as any of the Bonds are outstanding, copies of the following documents may be inspected during normal business hours at the specified offices of the Paying Agents:
 - (a) the Indenture;
 - (b) the Agency Agreement; and
 - (c) the Letter of Credit.
7. For so long as any of the Bonds are outstanding, copies of the following documents (together with English translations thereof, if applicable) may be obtained during normal business hours at the specified offices of the Paying Agents:
 - (a) the Company's audited consolidated financial statements as of and for the years ended December 31, 2012 and 2013 and the Company's unaudited consolidated financial statements as of and for the three months ended March 31, 2013 and 2014; and

8. There has been no material adverse change in our financial position since March 31, 2014, the date of our last unaudited consolidated financial statements, and there has been no significant change in our financial condition, capitalization or prospects since March 31, 2014.
9. Our consolidated financial statements have been prepared and are presented, as of January 1, 2012, December 31, 2012 and December 31, 2013 and for the years ended December 31, 2012 and 2013, in accordance with Taiwan IFRSs.
10. Our consolidated financial statements have been prepared and are presented, as of and for the three months ended March 31, 2013 and 2014, in accordance with Taiwan IFRSs.
11. There is no public takeover or exchange offers by third parties in respect of the Common Shares and there is no public exchange offers made by us in respect of other companies' shares.
12. The Trustee may rely without liability to the Bondholders on any certificate prepared by our directors, whether or not addressed to the Trustee and shall be obliged to do so where the certificate is delivered pursuant to our obligation to procure such delivery under the Description of the Bonds. Any such certificate shall be conclusive and binding on us, the Trustee and the Bondholders.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Neo Solar Power Corp.

We have audited the accompanying consolidated balance sheets of Neo Solar Power Corp. (NSP) and its subsidiaries (collectively referred to as the "Corporation") as of January 1, 2012, December 31, 2012 and December 31, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and 2013. These consolidated financial statements are the responsibility of NSP's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neo Solar Power Corp. and its subsidiaries as of January 1, 2012, December 31, 2012 and December 31, 2013, and their consolidated financial performance and cash flows for the years ended December 31, 2012 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of the parent company, Neo Solar Power Corp., as of and for the years ended December 31, 2012 and 2013 on which we have issued an unqualified report.

Our audits also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 6. Such U.S. dollar amounts are presented solely for the convenience of the readers.

Deloitte & Touche
Taipei, Taiwan
The Republic of China

March 18, 2014 (except as to Note 6 which is as of March 31, 2014)

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	January 1, 2012 NT\$	December 31, 2012 NT\$	December 31, 2013 NT\$	December 31, 2013 US\$ (Note 6)
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 7, 30 and 34)	\$ 5,488,679	\$ 5,819,523	\$ 6,372,612	\$ 209,281
Financial assets at fair value through profit or loss - current (Notes 4, 5, 8 and 34)	-	-	22	1
Notes and accounts receivable, net (Notes 4, 5, 11 and 34)	1,576,032	2,406,383	4,078,295	133,934
Accounts receivable - related parties (Notes 4, 5, 11, 34 and 35)	-	-	264,427	8,684
Finance lease receivables (Notes 4, 5, 12, 15, 34 and 36)	-	-	56,335	1,850
Other receivables (Notes 4, 11 and 34)	89,689	50,854	61,957	2,035
Current tax assets (Notes 4, 5 and 27)	3,148	3,877	24,420	802
Inventories (Notes 4, 5 and 13)	897,387	499,577	1,520,630	49,939
Prepayments (Notes 4, 5, 17, 18, 35 and 37)	362,706	324,461	264,611	8,690
Other current assets (Notes 18, 34, 35 and 36)	26,472	52,156	1,593,722	52,339
Total current assets	8,444,113	9,156,831	14,237,031	467,555
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 9, 10 and 34)	-	776,529	222,750	7,315
Financial assets carried at cost - noncurrent (Notes 4, 10 and 34)	289,940	-	24,448	803
Investment accounted for using the equity method (Notes 4 and 14)	-	3,558	-	-
Property, plant and equipment (Notes 4, 5, 15, 35 and 36)	11,113,907	9,642,807	15,606,909	512,542
Intangible assets (Notes 4, 5, 16 and 30)	-	-	557,739	18,317
Deferred tax assets (Notes 4, 5 and 27)	23,611	28,754	49,936	1,640
Finance lease receivables - noncurrent (Notes 4, 5, 12, 15, 34 and 36)	-	-	1,652,582	54,272
Prepayments - noncurrent (Notes 4, 5, 18 and 37)	2,162,464	1,357,083	1,804,767	59,270
Refundable deposits (Notes 4, 32 and 35)	30,682	26,223	63,365	2,081
Prepaid investments in stocks (Notes 4 and 34)	-	22,590	-	-
Prepayments for lease (Notes 4 and 17)	-	23,309	31,027	1,019
Other noncurrent assets (Notes 4 and 18)	89,398	61,389	61,447	2,018
Total noncurrent assets	13,710,002	11,942,242	20,074,970	659,277
TOTAL	<u>\$ 22,154,115</u>	<u>\$ 21,099,073</u>	<u>\$ 34,312,001</u>	<u>\$ 1,126,832</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 19, 34 and 36)	-	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 8 and 34)	1,017	1,017	139	700
Notes and accounts payable (Note 34)	969,664	836,698	2,366,092	77,704
Accounts payable - related parties (Notes 34 and 35)	-	22,819	8,785	289
Bonuses payable to employees and directors (Note 24)	3,969	79,095	79,095	2,598
Payables to contractors and equipment suppliers (Notes 34 and 35)	1,427,151	495,921	988,011	32,447
Accrued expenses (Notes 4, 21, 34 and 35)	953,618	1,524,785	1,524,785	50,075
Current tax liabilities (Notes 4, 5 and 27)	40,574	10,201	10,201	335
Receipts in advance (Note 35)	122,729	10,858	61,916	2,033
Current portion of long-term bank loans (Notes 19, 34 and 36)	1,009,017	1,301,042	1,757,933	57,732
Other current liabilities (Notes 4 and 21)	14,713	17,134	11,091	393
Total current liabilities	5,272,401	6,774,873	9,542,298	313,376
NONCURRENT LIABILITIES				
Bonds payable (Notes 4, 20, 34 and 36)	-	-	-	-
Long-term bank loans (Notes 19, 34 and 36)	2,259,883	3,174,465	549,004	18,030
Provisions - noncurrent (Notes 4 and 22)	52,166	65,368	4,708,754	154,639
Deferred tax liabilities (Notes 4, 5 and 27)	23,611	28,754	159,098	5,225
Guarantee deposits (Notes 34 and 35)	474	35	140,988	4,630
Total noncurrent liabilities	2,336,134	3,268,622	5,558,962	182,561
Total liabilities	7,608,535	10,043,495	15,101,260	495,937
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
(Notes 4, 24, 29, 30 and 31)				
Common shares	4,289,048	4,289,048	4,606,774	7,770,292
Capital surplus	12,023,580	12,023,580	10,535,813	255,182
Retained earnings	273,849	-	-	351,316
Legal reserve	(2,052,583)	(4,199,553)	(4,199,553)	-
Unappropriated earnings (accumulated deficits)	-	(60,804)	(86,508)	(2,841)
Other equity	-	-	-	-
Total equity attributable to shareholders of the parent	14,533,894	10,882,230	18,857,017	619,278
NONCONTROLLING INTERESTS (Notes 4, 24 and 31)	11,686	173,348	353,724	11,617
Total equity	14,545,580	11,055,578	19,210,741	630,895
TOTAL	<u>\$ 22,154,115</u>	<u>\$ 21,099,073</u>	<u>\$ 34,312,001</u>	<u>\$ 1,126,832</u>

The accompanying notes are an integral part of the consolidated financial statements.

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Except (Loss) Earnings Per Share)

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
NET SALES (Notes 4, 25, 30, 35 and 37)	\$ 12,241,013	\$ 20,084,253	\$ 659,581
COST OF SALES (Notes 4, 5, 13, 26, 35 and 37)	<u>(15,490,712)</u>	<u>(18,374,388)</u>	<u>(603,428)</u>
GROSS (LOSS) PROFIT	<u>(3,249,699)</u>	<u>1,709,865</u>	<u>56,153</u>
OPERATING EXPENSES (Notes 26 and 35)			
Selling	(285,546)	(342,464)	(11,247)
General and administrative	(362,097)	(506,014)	(16,618)
Research and development	<u>(162,146)</u>	<u>(407,519)</u>	<u>(13,383)</u>
Total operating expenses	<u>(809,789)</u>	<u>(1,255,997)</u>	<u>(41,248)</u>
OTHER INCOME AND EXPENSES (Notes 5, 8, 15 and 26)	<u>(145,419)</u>	<u>(139,511)</u>	<u>(4,581)</u>
(LOSS) INCOME FROM OPERATIONS	<u>(4,204,907)</u>	<u>314,357</u>	<u>10,324</u>
NONOPERATING INCOME AND EXPENSES			
Gains on disposal of financial assets (Notes 4 and 30)	-	266,584	8,755
Foreign exchange gain, net (Notes 4 and 26)	6,825	37,869	1,244
Interest income (Notes 4 and 26)	18,177	19,229	632
Profit (loss) on financial instruments at fair value through profit or loss (Notes 4 and 8)	(1,612)	8,354	274
Dividend income (Note 4)	1,775	7,200	236
Others (Notes 4, 26 and 35)	27,298	41,912	1,376
Finance costs (Note 26)	(76,122)	(189,174)	(6,213)
Share of loss of associates (Notes 4 and 14)	-	(1,582)	(52)
Other gains and losses (Notes 4 and 14)	<u>(13,296)</u>	<u>(5,330)</u>	<u>(175)</u>
Total nonoperating income and expenses	<u>(36,955)</u>	<u>185,062</u>	<u>6,077</u>
(LOSS) INCOME BEFORE INCOME TAX	(4,241,862)	499,419	16,401
INCOME TAX BENEFIT (Notes 4, 5 and 27)	<u>40,574</u>	<u>16,026</u>	<u>526</u>
NET (LOSS) INCOME FOR THE YEAR	<u>(4,201,288)</u>	<u>515,445</u>	<u>16,927</u>

(Continued)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Except (Loss) Earnings Per Share)

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
OTHER COMPREHENSIVE (LOSS) INCOME (Note 24)			
Exchange differences on translating foreign operations	\$ (415)	\$ 42,451	\$ 1,394
Unrealized loss on available-for-sale financial assets	<u>(24,237)</u>	<u>(36,727)</u>	<u>(1,206)</u>
Total other comprehensive income (loss)	<u>(24,652)</u>	<u>5,724</u>	<u>188</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (4,225,940)</u>	<u>\$ 521,169</u>	<u>\$ 17,115</u>
NET (LOSS) INCOME ATTRIBUTABLE TO:			
Shareholders of the parent	\$ (4,182,010)	\$ 502,480	16,501
Noncontrolling interests	<u>(19,278)</u>	<u>12,965</u>	<u>426</u>
	<u>\$ (4,201,288)</u>	<u>\$ 515,445</u>	<u>\$ 16,927</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Shareholders of the parent	\$ (4,206,662)	\$ 508,204	16,689
Noncontrolling interests	<u>(19,278)</u>	<u>12,965</u>	<u>426</u>
	<u>\$ (4,225,940)</u>	<u>\$ 521,169</u>	<u>\$ 17,115</u>
(LOSS) EARNINGS PER SHARE (Note 28)			
Basic (loss) earnings per share	<u>\$ (9.71)</u>	<u>\$ 0.86</u>	<u>\$ 0.0282</u>
Diluted (loss) earnings per share	<u>\$ (9.71)</u>	<u>\$ 0.85</u>	<u>\$ 0.0279</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The accompanying notes are an integral part of the consolidated financial statements.

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) income before income tax	\$ (4,241,862)	\$ 499,419	\$ 16,401
Adjustments for:			
Depreciation	1,890,604	1,732,639	56,901
Amortization	-	62,891	2,065
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(878)	539	18
Gain on disposal of financial assets	-	(266,584)	(8,755)
Provision (reversal of provision) for doubtful accounts	63,075	(11,388)	(374)
Reversal of allowance for loss on inventories	(182,561)	(189,805)	(6,233)
Share of loss of associates	-	1,582	52
Impairment loss on investment accounted for using the equity method	-	2,044	67
Impairment loss on property, plant and equipment	79,683	50,530	1,659
Impairment loss on prepayments	467,676	191,982	6,305
Loss on disposal of property, plant and equipment	65,736	31	1
Loss on financial assets	-	88,950	2,921
Compensation cost of restricted shares for employees	10,504	52,470	1,723
Compensation cost of employee share options	-	65,001	2,135
Interest income	(18,177)	(60,034)	(1,972)
Dividend income	(1,775)	(7,200)	(236)
Finance costs	76,122	189,174	6,213
Net loss on foreign exchange, net	6,743	29,550	970
Changes in operating assets and liabilities:			
Held for trading financial assets	-	238	8
Notes and accounts receivable	(822,337)	(1,345,318)	(44,181)
Accounts receivable - related parties	-	230,863	7,582
Other receivables	38,063	20,324	667
Inventories	580,371	(261,438)	(8,586)
Prepayments (including noncurrent)	375,950	429,191	14,095
Other current assets	(27,171)	(207,393)	(6,811)
Notes and accounts payable	(164,067)	496,682	16,311
Accounts payable - related parties	22,507	(27,191)	(893)
Bonuses payable to employees and directors	(1,042)	76,168	2,501
Accrued expenses	178,830	(626,318)	(20,569)
Receipts in advance	(111,871)	35,413	1,163
Other current liabilities	2,421	(8,716)	(285)
Provisions	13,202	21,291	699
Income taxes paid	-	(3,361)	(110)
Net cash (used in) generated from operating activities	(1,700,254)	1,262,226	41,452

(Continued)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets designated as at fair value through profit or loss upon initial recognition	\$ -	\$ (88,950)	\$ (2,921)
Acquisition of available-for-sale financial assets	(20,249)	-	-
Acquisition of financial assets carried at cost	-	(1,858)	(61)
Disposal of financial assets carried at cost	6,226	-	-
Acquisition of investment accounted for using the equity method	(3,558)	-	-
Increase in prepaid investments	(22,590)	-	-
Acquisition of property, plant and equipment	(1,510,088)	(2,751,230)	(90,352)
Disposal of property, plant and equipment	1,773	-	-
Net cash inflows from business combination	-	1,301,754	42,751
Increase in restricted deposit	-	(368,359)	(12,097)
Decrease (increase) in pledged time deposits	1,459	(2,008)	(66)
Decrease in finance lease receivables	-	7,318	240
Interest received	18,220	60,023	1,971
Dividends received	1,775	7,200	236
Increase in refundable deposits	(9,995)	(42,131)	(1,384)
Decrease in refundable deposits	14,454	10,969	360
Increase in other noncurrent assets	(54,103)	(47,260)	(1,552)
Decrease in other noncurrent assets	58,803	57,627	1,893
Net cash used in investing activities	(1,517,873)	(1,856,905)	(60,982)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term bank loans	5,278,671	18,081,051	593,795
Decrease in short-term bank loans	(3,100,413)	(20,022,106)	(657,540)
Proceeds from issuance of bonds	-	998,830	32,802
Proceeds from long-term bank loans	2,728,112	607,639	19,955
Repayments of long-term bank loans	(1,528,673)	(1,554,684)	(51,057)
Increase in guarantee deposits	-	8	-
Decrease in guarantee deposits	(439)	-	-
Proceeds from issuance of common shares	-	3,107,000	102,036
Proceeds from the exercise of employee share options	7,331	7,746	254
Interest paid	(72,031)	(175,519)	(5,764)
Increase in noncontrolling interests	221,300	126,155	4,143
Net cash generated from financing activities	3,533,858	1,176,120	38,624

(Continued)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ 15,113	\$ (28,352)	\$ (930)
NET INCREASE IN CASH AND CASH EQUIVALENTS	330,844	553,089	18,164
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>5,488,679</u>	<u>5,819,523</u>	<u>191,117</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 5,819,523</u>	<u>\$ 6,372,612</u>	<u>\$ 209,281</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013 (In Thousands, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATION

Neo Solar Power Corp. (NSP) was incorporated in the Republic of China on August 26, 2005. NSP specializes in manufacturing high-quality solar cells, solar cell modules and wafers. NSP's main business activities include designing, manufacturing and selling solar cells and doing other solar-related businesses. Its common shares have been listed on the Taiwan Stock Exchange (TSE) since January 2009. NSP also issued global depositary shares (GDS), which are listed on the Luxembourg Stock Exchange and have been traded on the Euro MTF Market of the Luxembourg Stock Exchange since July 2011. On May 31, 2013, NSP entered into a merger with DelSolar Co., Ltd., with NSP as the survivor entity. For the main business activities of NSP and its subsidiaries (collectively referred to as "the Corporation"), refer to Notes 4 and 40.

The consolidated financial statements are presented in NSP's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 18, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. New, amended and revised standards and interpretations (the "New Taiwan IFRSs") in issue but not yet effective

The Corporation has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements had been authorized for issue, the FSC had not yet endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New Taiwan IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not yet announced the effective dates for the following New Taiwan IFRSs that are not included in the 2013 Taiwan IFRSs version.

	Effective Date Announced by IASB (Note 1)

The New IFRSs included in the 2013 IFRSs version not yet endorsed by the FSC	

Improvements to IFRSs (2009) - amendment to IAS 39	

January 1, 2009 and January 1, 2010, as appropriate (Continued)

	Effective Date Announced by IASB (Note 1)
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

The New IFRSs not included in the 2013 IFRSs version

Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Note 3
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Note 3
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 to annual periods beginning on or after January 1, 2018.

- b. Significant impending changes in accounting policy resulted from New Taiwan IFRSs in issue but not yet effective

Except for the following, the initial application of the above New Taiwan IFRSs has not had any material impact on the Corporation's accounting policies:

1) IFRS 9 "Financial Instruments"

All recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, if these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding, they are generally measured at amortized cost at the end of accounting periods. All other financial assets are measured at their fair values at the balance sheet date. However, if the equity investment is not held for trading, the Corporation may make an irrevocable election to measure it at fair value through other comprehensive income, with only dividend income recognized in profit or loss.

For financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The change in the fair value of the financial liability due to changes in the credit risk of that liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss; this is known as a split presentation of fair value changes. The amount presented in other comprehensive income should not be reclassified to profit or loss.

If the above split presentation would create or increase an accounting mismatch in profit or loss, all fair value changes are recognized in profit or loss, and the gains or losses on these fair value changes are also recognized in profit or loss.

2) New and revised standards on consolidation, joint arrangements, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities." The Corporation considers whether it has control over other entities for consolidation. The Corporation has control over an investee only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee; and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

3) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (a) will not be reclassified subsequently to profit or loss; and (b) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement,” the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets,” introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit (CGU). The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. If the asset or CGU recoverable amount (based on fair value less costs of disposal) is determined using a present value technique, the discount rate used in determining impairment or impairment reversal should be disclosed.

6) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 “Share-Based Payment,” IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments,” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions of “performance condition” and “service condition.” The amendment clarifies that a performance target can be based on the operations of the Corporation or another entity in the same group (i.e., a non-market condition) or the market price of the equity instruments of the Corporation or another entity in the same group (i.e., a market condition); that a performance target might relate either to the performance of all or a part of the Corporation (e.g., a division); and that the period for achieving a performance target must not go beyond the end of the service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Corporation but also those of entities other than the Corporation.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should be provided only if the segments’ assets are regularly reported to the chief operating decision-maker.

IFRS 13 was amended to clarify that short-term receivables and payables with no stated interest rate can still be measured at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation is a related party of the Corporation. Consequently, the Corporation is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

7) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property,” were amended in this annual improvement.

IFRS 3 was amended to exclude from the scope of IFRS 3 the accounting for the formation of joint arrangements in the financial statements of the joint arrangement itself.

IFRS 13 was amended to clarify that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments” whether or not these contracts meet the definitions of financial assets or financial liabilities as stated in IAS 32 “Financial Instruments: Presentation.”

- c. The possible impact of the application of New IFRSs in issue but not yet effective on the Corporation’s consolidated financial statements is as follows:

As of the date the consolidated financial statements were authorized for issue, the Corporation was continually assessing the possible impact that the application of the above New IFRSs will have on the Corporation’s financial position and operating results and will disclose the impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the Financial Supervisory Commission (FSC) announced the “Framework for the Adoption of IFRSs by the Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the “Taiwan IFRSs”) endorsed by the FSC.

The Corporation’s consolidated financial statements for the years ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to Taiwan IFRSs was January 1, 2012. Refer to Note 41 for the impact of IFRSs conversion on the Corporation’s consolidated financial statements.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and Taiwan IFRSs as endorsed by the FSC.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to Taiwan IFRSs were prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards.” The applicable Taiwan IFRSs have been applied retrospectively by the Corporation, except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Corporation elected to use, refer to Note 41.

Current and noncurrent assets and liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within 12 months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted for at least 12 months after the reporting period. Current liabilities are (a) obligations incurred for trading purposes or to be settled within 12 months after the reporting period and (b) liabilities on which the obligors have no unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other assets and liabilities are classified as noncurrent.

Basis of consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of NSP and the entities controlled by NSP (i.e., its subsidiaries, including special purpose entities).

Income and expenses of subsidiaries acquired during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by NSP.

All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to noncontrolling interests

Total comprehensive income of subsidiaries is attributed to the owners of NSP and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Corporation’s ownership interests in existing subsidiaries

Changes in the Corporation’s ownership interests in subsidiaries that do not result in the Corporation’s losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation’s interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of NSP.

b. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership			Remark
			January 1, 2012	December 31, 2012	December 31, 2013	
NSP	General Energy Solutions Inc. ("General Energy Solutions")	Electronic component manufacturing and selling	86.96%	61.44%	72.61%	-
	Prime Energy Corp. ("Prime Energy")	Electronic component manufacturing and selling	100.00%	100.00%	100.00%	-
	New Ray Investment Corp. ("New Ray Investment")	Investment company	100.00%	100.00%	100.00%	-
	DelSolar Holding Singapore Pte. Ltd. ("DelSolar Singapore")	Investment company	-	-	100.00%	Note 2
	DelSolar Holding (Cayman) Ltd. ("DelSolar Cayman")	Investment company	-	-	100.00%	Note 2
	Yong Tang Ltd. ("Yong Tang")	Solar-related business	-	100.00%	100.00%	Note 1
	Yong Liang Ltd. ("Yong Liang")	Solar-related business	-	100.00%	100.00%	Note 1
	Yong Han Ltd. ("Yong Han")	Solar-related business	-	-	100.00%	Note 1
	Yong Zhou Ltd. ("Yong Zhou")	Solar-related business	-	-	100.00%	Note 1
	General Energy Solutions International Co., Ltd. ("GES Samoa")	Investment company	-	100.00%	100.00%	Note 1
General Energy Solutions	GES JAPAN CORPORATION ("GES JAPAN")	Investment company	-	-	100.00%	Note 1
	Hashimoto Solar Power Station Co., Ltd ("Hashimoto")	Solar-related business	-	-	100.00%	Note 1
	GES Global Co. Limited. ("GES BVI")	Investment company	-	-	-	Note 3
	General Energy Solutions UK Limited ("GES UK")	Investment company	-	3.94%	-	Note 1
	GES UK	Investment company	-	96.06%	100.00%	Note 1
	General Energy Solutions USA. Inc. ("GES USA")	Investment company	-	22.68%	-	Note 1
	GES USA	Investment company	-	77.32%	100.00%	Note 1
	ET ENERGY SOLUTIONS LLC ("ET ENERGY")	Solar-related business	-	-	100.00%	Note 1
	TIPPING POINT ENERGY COC PPA SPE-1, LLC ("TIPPING POINT")	Solar-related business	-	-	100.00%	Note 1
	GES MEGAONE, LLC ("MEGAONE")	Solar-related business	-	-	-	Note 3
GES Samoa	GES MEGATWO, LLC ("MEGATWO")	Solar-related business	-	-	-	Note 3
	GES KYUSHU CORPORATION ("GES KYUSHU")	Solar-related business	-	-	100.00%	Note 1
	GES FUKUSHIMA CORPORATION ("GES FUKUSHIMA")	Solar-related business	-	-	100.00%	Note 1
	GES ASSET, INC. ("GES ASSET")	Solar-related business	-	-	-	Note 3
	DelSolar India EPC Company Private Ltd. ("DelSolar India")	Solar-related business	-	-	100.00%	Note 2
	DelSolar (HK) Ltd. ("DelSolar HK")	Investment company	-	-	100.00%	Note 2
	DelSolar US Holdings (Delaware) Corporation ("DelSolar US")	Investment company	-	-	100.00%	Note 2
	DelSolar Development (Delaware) LLC ("DelSolar Development")	Solar-related business	-	-	100.00%	Note 2
	DelSolar (Wu Jiang) Ltd. ("DelSolar Wu Jiang")	Solar-related business	-	-	100.00%	Note 2
	DSS-USF PHX LLC	Solar-related business	-	-	100.00%	Note 2
GES UK GES USA	DSS-RAL LLC	Solar-related business	-	-	100.00%	Note 2
	DelSolar Singapore					
	DelSolar Cayman					
	DelSolar US					
	DelSolar HK					
	DelSolar Development					

Note 1: Yong Tang and Yong Liang were incorporated in March 2012; Yong Han and Yong Zhou were incorporated in February 2013; GES Samoa was incorporated in September 2012; GES UK was incorporated in December 2012; GES USA was incorporated September 2012; GES FUKUSHIMA was incorporated in January 2013; ET ENERGY was invested in March 2013; TIPPING POINT was invested in May 2013; GES JAPAN and GES KYUSHU were incorporated in July 2013; and Hashimoto was invested in November 2013.

Note 2: DelSolar Singapore, DelSolar Cayman, DelSolar India, DelSolar US, DelSolar HK, DelSolar Wu Jiang, DelSolar Development, DSS-USF PHX LLC and DSS-RAL LLC had been acquired because of a business combination occurred on May 31, 2013.

Note 3: GES BVI, GES ASSET, MEGAONE and MEGATWO were deemed as subsidiaries of NSP in accordance with SIC 12 "Consolidation - Special Purpose Entities."

The consolidated financial statements accounted noncontrolling interests in General Energy Solutions under noncontrolling interests and noncontrolling interests profit or loss.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree in excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When a business combination is achieved in stages, the Corporation's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period. When a gain or loss on a nonmonetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a nonmonetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For purposes of presenting consolidated financial statements, the assets and liabilities of the Corporation's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized in other comprehensive income and attributed to the owners of the NSP and noncontrolling interests as appropriate.

Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Investments in Associates

An associate is an entity over which the Corporation has significant influence and is not a subsidiary.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of equity of associates attributable to the Corporation.

When the Corporation subscribes for additional new shares of the associate at a percentage different from its current ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's earlier proportionate interest in the associate. The Corporation records this difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the Corporation's ownership interest is reduced because of the additional subscription for the associate's new shares, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the associate directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use or fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation's consolidated financial statements only to the extent of interests in the associate that are not related to the Corporation.

Property, plant, and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period. Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss. The cost of a property, plant and equipment item is recognized as an asset only if it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

Properties under construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. These properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Each property, plant and equipment component with a cost that is significant in relation to the total cost of the item must be depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted prospectively.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit is acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first, to reduce the carrying amount of any goodwill allocated to the unit and then, to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill should not be reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

1) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that have been acquired from a third party.

2) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs, and this CGU is the smallest group of assets that generates independent cash flows. If a portion of the carrying amount of a corporate asset can be allocated on a reasonable and consistent basis to that unit, the Corporation compares the carrying amount of the CGU, including the portion of the carrying amount of the corporate asset allocated to that CGU, with its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii. Available-for-sale financial assets

Available-for-sale (AFS) financial assets are nonderivatives that either are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Listed equity investments held by the Corporation are traded in an active market are classified as AFS financial assets and are stated at fair value at the end of each reporting period.

Dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amounts of AFS financial assets are recognized in other comprehensive income and accumulated under other equity- unrealized gain (loss) on available-for-sale financial assets. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other equity- unrealized gain (loss) on available-for-sale financial assets is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

AFS equity investments with no quoted market prices in an active market and with fair values that cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income. Any impairment losses are recognized in profit or loss.

iii. Loans and receivables

Loans and receivables are nonderivative financial assets that have fixed or determinable payments and are not quoted in an active market. Loans and receivables (including notes and accounts receivables, cash and cash equivalents and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. But receivables with insignificant discount effect are measured at their carrying values.

Cash equivalents include time deposits that have original maturities within three months from the date of acquisition, are highly liquid, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets are collectively assessed for impairment even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience in collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- i. Significant financial difficulty of the issuer or counterparty; or
- ii. Breach of contract, such as a default or delinquency in interest or principal payments; or
- iii. It becoming probable that the borrower will undergo bankruptcy or financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the unrealized gains or losses.

For financial assets that are carried at cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Corporation are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except in the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability.

b) Derecognition of financial liabilities

The Corporation derecognizes financial liabilities only when the Corporation's obligations are discharged or cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the fair value of similar nonconvertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished on conversion or on the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, and the balance recognized in equity will then be transferred to capital surplus - conversion of bonds. When the conversion option remains unexercised on bond maturity, the balance recognized in equity will be transferred to capital surplus – share premium. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

The ratios at which the transaction costs of the issue of the convertible bonds are allocated to the liability and equity components of convertible bonds are the same as the ratios to be used in allocating the gross proceeds to the liability and equity components. Transaction costs on the equity component are recognized directly in equity. Transaction costs on the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes, using the effective interest method.

5) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts and interest rate swaps to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, but if the derivative is designated and effective as a hedging instrument, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Derivatives embedded in nonderivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows when the time value of money is material.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products and at the Corporation management's best estimate of the expenditure required to settle the obligations.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and similar allowances.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- e) The costs incurred or to be incurred can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Specifically, sales of goods are recognized when goods are delivered and title has passed.

2) The sale of electricity is determined at actual customers' consumption based on meter readings and charge rates.

3) Rendering of services

Solar-related service income is recognized as services are completed.

4) Dividend and interest income

Dividend income from investments is recognized when the Corporation's right to receive payment has been established and if it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued over time by reference to the principal outstanding and the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Corporation's electricity purchase agreements contained a lease that was classified as finance lease in accordance with IFRIC 4 "Determining whether an Arrangement contains a Lease."

1) The Corporation as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding on the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the lease.

2) The Corporation as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Government grants

Government grants are recognized when there is reasonable assurance that the Corporation will comply with the conditions attached to and that the grants will be received.

Government grants receivable as compensation for expenses or losses already incurred or for immediate financial support, with no future related costs, are recognized as other income in profit or loss in the period in which they become receivable.

Retirement Benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the plan benefits.

Share-based payment arrangements

1) Share-based payments granted to employee

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

When employee share options are granted, the grant-date fair value is fully recognized as an expense immediately. The grant-date fair value is expensed on a straight-line basis over the vesting period on the basis of the Corporation's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options.

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital surplus - restricted shares of employees. Under certain conditions, some employees who receive restricted shares are required to return their shares to the issuer on their resignation, and these shares will then be recognized as payables. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared, with a corresponding adjustment in capital surplus - restricted shares of employees.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share-based payments expected to vest. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options or capital surplus - restricted shares of employees.

2) Share-based payment transactions of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Corporation's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with the market-based measure at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The market-based measure of the replacement awards in excess of the market-based measure of the acquiree awards included in measuring the consideration transferred is recognized as remuneration cost for post-combination service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Based on the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the Corporation's expectations, at the end of the reporting period, as to the manner by which the carrying amount of its assets and liabilities will be recovered or settled.

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, but when these taxes pertain to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. If current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. If the actual future cash flows are less than expected, a material impairment loss may arise.

b. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. If the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Estimated impairment of notes and accounts receivable

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If the actual future cash flows are less than expected, a material impairment loss may arise.

d. Estimated impairment of assets other than goodwill

In assessing assets for impairment, the Corporation should estimate their future cash flows, useful lives, estimated income on and expenses for the assets, and how the assets are being used as well as economic and industry developments, the way the assets being used and the feature of the industry. Any change of economic condition or of the estimation due to the Corporation's strategy may lead to a material impairment loss in the future.

For 2012 and 2013, the Corporation impairment losses on property, plant and equipment of NT\$79,683 thousand and NT\$50,530 thousand (US\$1,659 thousand), respectively; impairment losses on prepayments of NT\$467,676 thousand and NT\$191,982 thousand (US\$6,305 thousand), respectively.

e. Useful lives of property, plant and equipment

As described in Note 4 above, the Corporation reviews the estimated useful lives of property, plant and equipment at each balance sheet date. Based on an evaluation report by China Property Appraising Co., Ltd., which used industry meta-analysis, functional analysis and economic analysis, the actual useful lives of NSP's equipment had exceeded their original useful lives. Management thus determined that the useful lives of some machinery and equipment should be extended from 6 years to 8 or 11 years from April 1, 2013.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to decrease the consolidated depreciation expense in the period from April 1, 2013 to December 31, 2013 and for the next three years by the following amounts:

	NT\$	US\$ (Note 6)
April 1, 2013 to December 31, 2013	\$ 544,302	\$ 17,875
2014	586,140	19,249
2015	371,989	12,216
2016	155,779	5,116

f. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimates to determine the net realizable value of inventory at the end of each reporting period.

In light of rapid technological changes, the Corporation estimates the net realizable value of inventories, taking into account obsolescence and unmarketable items, at the end of the reporting period and then writes down the cost of inventories to net realizable value. The estimate of net realizable value of the inventory is mainly based on assumptions of future demand within a specific period.

g. Finance lease receivables

In assessing the amounts of finance lease receivables and revenue, management should consider the estimation of the Corporation's future cash flows and the discount rate used to determine the present value of minimum lease payments. Relevant assumptions include the expected operating rate of certain power-generating facilities and the economic lives and recoverable residual value of these facilities. If actual future cash flows are less than expected, a material impairment loss may arise. Please refer to Note 12.

6. TRANSLATION INTO U.S. DOLLARS

The Corporation maintains its accounts and expresses its consolidated financial statements in New Taiwan dollars. For convenience only, US dollar amounts presented in the accompanying consolidated financial statements have been translated from New Taiwan dollars, using the US Federal Reserve noon buying rate of NT\$30.45 to US\$1 on March 31, 2014. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been or could in the future be converted into US dollars at this or any other exchange rate.

7. CASH AND CASH EQUIVALENTS

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Demand deposits	\$ 3,499,009	\$ 4,055,898	\$ 5,270,233	\$ 173,078
Checking accounts	5,319	2,888	29,021	953
Cash on hand	351	331	641	21
Cash equivalents				
Bank acceptances	-	-	39,119	1,285
Time deposits	<u>1,984,000</u>	<u>1,760,406</u>	<u>1,033,598</u>	<u>33,944</u>
	<u>\$ 5,488,679</u>	<u>\$ 5,819,523</u>	<u>\$ 6,372,612</u>	<u>\$ 209,281</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Bank balance	0%-0.94%	0%-0.94%	0%-2.88%

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Financial assets at FVTPL</u>				
Interest swap contracts (a)	\$ -	\$ -	\$ 22	\$ 1
Convertible bonds designated as at FVTPL (c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 1</u>
<u>Financial liabilities at FVTPL</u>				
Interest swap contracts (a)	\$ -	\$ 139	\$ 700	\$ 23
Foreign exchange forward contracts (b)	<u>1,017</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,017</u>	<u>\$ 139</u>	<u>\$ 700</u>	<u>\$ 23</u>

a. At the end of the reporting period, outstanding interest swap contracts consisted of the following:

Contract Amount (In Thousands)	Maturity Period	Interest Rates - Payments	Interest Rates - Receipts
<u>December 31, 2012</u>			
NT\$ 50,100	December 27, 2012-December 27, 2017	1.085%	0.901% (floating) (Continued)

Contract Amount (In Thousands)	Maturity Period	Interest Rates - Payments	Interest Rates - Receipts
<u>December 31, 2013</u>			
NT\$ 117,200	January 30, 2013-January 30, 2018	1.170%	0.896% (floating)
67,100	August 2, 2013-August 2, 2018	1.440%	0.896% (floating)
50,100	December 27, 2012-December 27, 2017	1.085%	0.897% (floating)
35,670	September 24, 2013-September 24, 2018	1.350%	0.897% (floating)
25,700	May 28, 2013-May 28, 2018	1.150%	0.899% (floating) (Concluded)

The Corporation entered into derivative transactions in 2012 and 2013 to manage exposures of assets and liabilities to interest rate changes. Since the interest rate swaps held by the Corporation did not meet the criteria for hedge effectiveness, they were not subjected to hedge accounting.

- b. At the end of the reporting period, outstanding foreign exchange forward contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>January 1, 2012</u>			
Sell	Sell USD/Buy NTD	January 6, 2012	USD 6,000/ NTD 180,780

The Corporation entered into derivative transactions in 2012 and 2013 to manage exposures of assets and liabilities denominated in foreign currency related to exchange rate changes. Since the foreign exchange forward contracts held by the Corporation did not meet the criteria for hedge effectiveness, these contracts were not subject to hedge accounting.

- c. In May 2013, NSP subscribed for the convertible bonds of Conergy AG, with 7% interest rate and aggregate face value of EUR2,288 thousand. The bonds were convertible between May 15, 2013 and June 30, 2015. Interest of 7% per annum was payable quarterly until the conversion of bonds. Each bond entitled the holder to subscribe for one ordinary share of Conergy AG at a price of EUR1.05 before the settlement date. On July 5, 2013, Conergy AG filed for insolvency due to financial difficulties; the Corporation thus recognized a loss of NT\$88,950 thousand (US\$2,921 thousand) for 2013.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Noncurrent</u>				
Domestic quoted shares				
ThinTech Materials Technology Co., Ltd. (TTMC)	\$ -	\$ 256,130	\$ 222,750	\$ 7,315
DelSolar Co., Ltd. ("DelSolar") (Note 30)	-	520,399	-	-
	<u>\$ -</u>	<u>\$ 776,529</u>	<u>\$ 222,750</u>	<u>\$ 7,315</u>

As of January 1, 2012, December 31, 2012 and December 31, 2013, the carrying amount of the Corporation's investment in TTMC's private-placement shares amounted to NT\$0, NT\$221,130 thousand and NT\$193,550 thousand (US\$6,356 thousand), respectively; under Article 43-8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

10. FINANCIAL ASSETS CARRIED AT COST

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Overseas unlisted common shares				
SUN APPENNINO CORPORATION	\$ -	\$ -	\$ 22,590	\$ 742
FICUS CAPITAL CORPORATION	-	-	1,259	41
TG ENERGY SOLUTIONS LCC	-	-	599	20
Domestic unlisted common shares				
ThinTech Materials Technology Co., Ltd. (TTMC)	<u>289,940</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 289,940</u>	<u>\$ -</u>	<u>\$ 24,448</u>	<u>\$ 803</u>
Classified according to financial asset measurement categories				
Available-for-sale financial assets	<u>\$ 289,940</u>	<u>\$ -</u>	<u>\$ 24,448</u>	<u>\$ 803</u>

Management believed that the above unlisted equity investments held by the Corporation had fair values that could not be reliably measured because the range of reasonable fair value estimates was significant; thus, these investments were measured at cost less impairment at the end of the reporting period.

In September 2011, Prime Energy acquired 1,000 thousand shares of TTMC for NT\$40,040 thousand; thus, as of December 31, 2013, Prime Energy's percentage of ownership in TTMC was 1.41%.

In October 2011, TTMC issued 3,000 thousand shares to New Ray Investment for NT\$107,100 thousand through private placement; as of December 31, 2013, New Ray Investment's percentage of ownership in TTMC was 4.24%.

In October 2011, TTMC issued 4,000 thousand shares for NT\$142,800 thousand to NSP through private placement; as of December 31, 2013, NSP's percentage of ownership in TTMC was 5.66%.

Under Article 43-8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

The above equity investment in TTMC, whose shares have been traded on the Taiwan GreTai Securities Market since November 2012, were revalued on the date these shares became publicly marketable and reclassified to available-for-sale financial assets - noncurrent.

In November 2013, GES USA invested US\$20 thousand (about NTD\$ 599 thousand) in 20 shares of TG ENERGY SOLUTIONS LCC; as of December 31, 2013, GES USA's percentage of ownership in TG ENERGY SOLUTIONS LCC was 10%.

The financial assets carried at cost had not been pledged as security or for other purposes.

11. NOTES AND ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Notes and accounts receivable</u>				
Notes and accounts receivable	\$ 1,589,457	\$ 2,466,986	\$ 4,085,623	\$ 134,175
Accounts receivable - related parties	-	-	264,427	8,684
Less: Allowance for impairment loss	<u>(13,425)</u>	<u>(60,603)</u>	<u>(7,328)</u>	<u>(241)</u>
	<u>\$ 1,576,032</u>	<u>\$ 2,406,383</u>	<u>\$ 4,342,722</u>	<u>\$ 142,618</u>
<u>Other receivables</u>				
Sales tax refund receivable	\$ 79,856	\$ 36,831	\$ 59,764	\$ 1,963
Factored accounts receivable	8,039	10,128	-	-
Others	<u>1,794</u>	<u>3,895</u>	<u>2,193</u>	<u>72</u>
	<u>\$ 89,689</u>	<u>\$ 50,854</u>	<u>\$ 61,957</u>	<u>\$ 2,035</u>

a. Notes and accounts receivable

The credit periods for the sale of goods were (a) 30 to 60 days after the end of the month; (b) 7 to 365 days from the invoice date; and (c) 30 to 120 days for letters of credit. No interest was charged on accounts receivables. For overdue accounts receivables, interest was charged on the basis of management's judgment. In determining the recoverability of a accounts receivable, the Corporation considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized on the basis of irrecoverable amounts estimated through aging analysis, reference to past default of the counterparties and an assessment of their current financial position.

For the accounts receivables that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were considered recoverable. In addition, the Corporation had obtained proper collateral or other credit enhancements for these receivables. As of January 1, 2012, December 31, 2012 and December 31, 2013, the amounts of collaterals or other credit enhancements for these receivables were NT\$275,432 thousand, NT\$423,741 thousand and NT\$193,224 thousand (US\$6,346 thousand), respectively. The Corporation had no legal right to offset the receivables against any amounts owed by the Corporation to the counterparties.

The aging of receivables that were past due but not impaired was as follows:

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Up to 60 days	\$ 315,229	\$ 489,734	\$ 261,319	\$ 8,582
61-90 days	16,040	42,489	23,826	782
91-120 days	34,513	46,309	-	-
More than 120 days	<u>143,123</u>	<u>45,087</u>	<u>133,075</u>	<u>4,370</u>
	<u>\$ 508,905</u>	<u>\$ 623,619</u>	<u>\$ 418,220</u>	<u>\$ 13,734</u>

Above analysis was based on the past due date.

Movements in the allowance for impairment loss recognized on notes receivable and accounts receivables were as follows:

	For the Year Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ 13,425	\$ 60,603	\$ 1,990
Impairment loss (reversal of impairment loss) recognized on receivables	63,075	(11,388)	(373)
Uncollectible amounts written off	(15,897)	(62,292)	(2,046)
Acquisitions through business combinations	-	20,380	669
Translation adjustments	<u>-</u>	<u>25</u>	<u>1</u>
Balance at December 31	<u>\$ 60,603</u>	<u>\$ 7,328</u>	<u>\$ 241</u>

Allowance for impairment loss included individually impaired accounts receivables amounting to NT\$13,425 thousand, NT\$60,603 thousand and NT\$7,328 thousand (US\$241 thousand) as of January 1, 2012, December 31, 2012 and December 31, 2013, respectively. These amounts relate to the Corporation's risk control process involving customers with tight cash flows. The impairment recognized represents the difference between the carrying amount of these accounts receivables and the present value of the expected proceeds received from liquidation. The Corporation did not hold any collateral on these impaired receivables.

The factored accounts receivable for 2012 and 2013 are summarized as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
<u>2012</u>					
Chang Hwa Bank	US\$ 1,276	US\$ 968	\$ -	-	US\$ 1,300
UPS Capital HK Limited	US\$ 1,276	US\$ 1,276	-	-	EUR 1,500
	US\$ 600	US\$ 560	-	-	US\$ 1,040
<u>2013</u>					
Chang Hwa Bank	US\$ 2,367	US\$ 2,367	-	-	US\$ 1,000
BNY Mellon Bank - Taipei Branch	US\$ 6,780	US\$ 6,780	-	-	US\$ 6,780

The above credit lines can be used on a revolving basis.

Based on the factoring agreements, losses from commercial disputes (such as those on sales returns and discounts) should be borne by the Corporation, while losses from credit risk should be borne by the financial institutions. As of December 31, 2013, the Corporation's factoring agreements had all expired.

As of January 1, 2012, December 31, 2012 and December 31, 2013, the retentions (US\$265 thousand, US\$348 thousand and \$0, respectively) on the factored accounts receivable were recorded under other receivables.

b. Other receivables

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Other receivables	\$ 89,689	\$ 50,854	\$ 61,957	\$ 2,035
Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 89,689</u>	<u>\$ 50,854</u>	<u>\$ 61,957</u>	<u>\$ 2,035</u>

The credit period was basically 60 days after the end of the month. Allowance for impairment loss was recognized on the basis of estimated irrecoverable amounts determined by aging analysis, reference to past default experience of the counterparties and an assessment of their current financial position.

The status of other receivables at the end of the reporting period is presented in the following table, which shows that other receivables had not been impaired.

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Neither past due nor impaired	\$ 89,689	\$ 50,854	\$ 61,957	\$ 2,035
Past due but not impaired	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 89,689</u>	<u>\$ 50,854</u>	<u>\$ 61,957</u>	<u>\$ 2,035</u>

12. FINANCE LEASE RECEIVABLES

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)

Gross investment in leases

Not later than one year	\$ -	\$ -	\$ 185,568	\$ 6,094
Over one year and to five years	-	-	731,184	24,013

(Continued)

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Later than five years	\$ -	\$ -	\$ 2,233,614	\$ 73,353
	-	-	3,150,366	103,460
Less: Unearned finance income	-	-	1,441,449	47,338
Present value of minimum lease payments	\$ -	\$ -	\$ 1,708,917	\$ 56,122
				(Concluded)

The Corporation entered into several electricity purchase agreements (refer to Note 37) for the Corporation to sell all electricity to Taiwan Power Company, Indianapolis Power & Light Company, etc. after the electric generating facilities are operating with distribution system. The average term of finance leases entered into was 20 years. Since these agreements were covered by IFRIC 4 "Determining Whether an Arrangement contains a Lease" and IAS 17 "Leases," they were accounted for as finance lease.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rate contracted was approximately 6.918% per annum.

The finance lease receivables as of December 31, 2013 were neither past due nor impaired.

The amounts of finance lease receivables pledged as collateral for bank loans are shown in Note 36.

13. INVENTORIES

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Finished goods	\$ 528,803	\$ 184,791	\$ 533,787	\$ 17,530
Work in progress	71,292	77,172	454,228	14,917
Raw materials	297,292	237,614	532,615	17,492
	\$ 897,387	\$ 499,577	\$ 1,520,630	\$ 49,939

Allowances for inventory losses were NT\$616,161 thousand, NT\$433,600 thousand and NT\$294,834 thousand (US\$9,683 thousand) as of January 1, 2012, December 31, 2012 and December 31, 2013, respectively.

In 2012, the cost of sales related to inventories was NT\$15,490,712 thousand, which included (1) unallocated fixed manufacturing overheads of NT\$469,854 thousand; (2) income of NT\$24,612 thousand from the sale of scraps; (3) loss of NT\$1,736 thousand from the disposal of obsolete inventories; and (4) a reversal of allowance for losses on inventories amounting to NT\$182,561 thousand. The reversal was due to the selling of obsolescent inventory.

In 2013, the cost of sales related to inventories was NT\$18,374,388 thousand (US\$603,428 thousand), which included (1) unallocated fixed manufacturing overheads of NT\$216,542 thousand (US\$7,111 thousand); (2) income of NT\$36,584 thousand (US\$1,201 thousand) from the sale of scraps; (3) loss of NT\$32,302 thousand (US\$1,061 thousand) from the disposal of obsolete inventories; and (4) a reversal of allowance for losses on inventories amounting to NT\$189,805 thousand (US\$6,233 thousand). The reversal was due to the selling of obsolescent inventory and the decrease in unit cost of products.

No inventory had been pledged as security for the Corporation's bank loans.

14. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)

Investment in associate

Overseas unlisted company
Renewable Energies Co., Ltd.
("Renewable")

\$ -	\$ 3,558	\$ -	\$ -

At the end of the reporting period, the proportion of ownership and voting rights in the associate held by the Corporation were as follows:

Associate	January 1, 2012	December 31, 2012	December 31, 2013
Renewable	-	50%	50%

In December 2012, GES Samoa, through GES UK, jointly established with a third party a company, Renewable, which specializes in solar-related business. As of December 31, 2013, GES UK had a 50% equity interest in Renewable and had two of five seats of Renewable's board but did not have the power to govern or jointly control the financial and operating policies of Renewable; thus, Renewable was accounted for under the equity method.

In 2013, on the basis of the estimated recoverable amount of Renewable, the Corporation recognized an impairment loss of NT\$2,044 thousand (US\$67 thousand), which was recorded under nonoperating income and expenses - other gains and losses.

The summarized financial information on the Corporation's associates is set out below:

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)

Total assets	\$ -	\$ 6,730	\$ 4,768	\$ 157
Total liabilities	\$ -	\$ -	\$ -	\$ -

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)

Revenue for the year	\$ -	\$ -	\$ -
Loss for the year	\$ -	\$ 3,024	\$ 99

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of these investments were calculated on the basis of financial statements that have not been audited. Management believes there would have been no material impact on the calculation of the share of profit or loss and other comprehensive income had the equity-method investee's financial statements been audited.

The investment in the associate had not been pledged as collateral for bank loans.

15. PROPERTY, PLANT AND EQUIPMENT

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Carrying amounts</u>				
Land	\$ 440,596	\$ 440,596	\$ 440,596	\$ 14,469
Buildings	2,544,074	2,416,642	3,812,516	125,206
Machinery and equipment	7,367,282	6,087,650	9,290,238	305,098
Research and development equipment	9,121	7,377	10,277	338
Office equipment	3,664	6,658	55,006	1,806
Rental assets	-	-	147,494	4,844
Leasehold improvement	9,172	2,026	286,716	9,416
Miscellaneous equipment	103,093	89,594	209,522	6,881
Advance payments and construction in progress	636,905	592,264	1,354,544	44,484
	<u>\$ 11,113,907</u>	<u>\$ 9,642,807</u>	<u>\$ 15,606,909</u>	<u>\$ 512,542</u>
<u>Year Ended December 31, 2012</u>				
	Balance, Beginning of Year	Additions	Deduction	Reclassification
	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>				
Land	\$ 440,596	\$ -	\$ -	\$ -
Buildings	2,737,205	-	-	3,720
Machinery and equipment	10,104,255	36,901	(216,942)	507,316
Research and development equipment	11,223	-	-	580
Office equipment	8,749	315	(370)	5,537
Leasehold improvements	13,720	-	(11,088)	-
Miscellaneous equipment	154,725	2,300	(5,740)	21,969
Advance payments and construction in progress	636,905	527,180	-	(539,122)
	<u>14,107,378</u>	<u>\$ 566,696</u>	<u>\$ (234,140)</u>	<u>\$ -</u>
<u>Accumulated depreciation</u>				
Buildings	193,131	\$ 131,152	\$ -	\$ -
Machinery and equipment	2,736,973	1,717,261	(157,338)	-
Research and development equipment	2,102	2,324	-	-
Office equipment	5,085	2,858	(370)	-
Leasehold improvements	4,548	1,254	(5,196)	-
Miscellaneous equipment	51,632	35,755	(3,727)	-
	<u>2,993,471</u>	<u>\$ 1,890,604</u>	<u>\$ (166,631)</u>	<u>\$ -</u>
<u>Accumulated impairment</u>				
Machinery and equipment	-	\$ 96,954	\$ -	\$ (49,970)
Leasehold improvement	-	5,031	-	(5,031)
Miscellaneous equipment	-	1,520	-	(1,520)
Advance payments and construction in progress	-	32,699	-	-
	<u>-</u>	<u>\$ 136,204</u>	<u>\$ -</u>	<u>\$ (56,521)</u>
	<u>\$ 11,113,907</u>			<u>\$ 9,642,807</u>

Year Ended December 31, 2013							
	Balance, Beginning of Year	Acquisitions Through Business Combinations	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Year
	NTS	NTS	NTS	NTS	NTS	NTS	NTS
<u>Cost</u>							
Land	\$ 440,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,596
Buildings	2,740,925	1,571,025	-	-	15,016	-	4,326,966
Machinery and equipment	10,431,530	3,903,893	452,010	-	327,951	21,928	15,137,312
Research and development equipment	11,803	4,608	-	-	1,549	-	17,960
Office equipment	14,231	61,268	1,051	(95)	(3,393)	45	73,107
Rental assets	-	164,634	-	-	-	168	164,802
Leasehold improvements	2,632	300,049	1,543	-	-	3,960	308,184
Miscellaneous equipment	173,254	159,105	7,514	(12)	9,204	700	349,765
Advance payments and construction in progress	624,963	153,373	2,678,912	(1,708,917)	(350,327)	(10,761)	1,387,243
	<u>14,439,934</u>	<u>\$ 6,317,955</u>	<u>\$ 3,141,030</u>	<u>\$ (1,709,024)</u>	<u>\$ -</u>	<u>\$ 16,040</u>	<u>22,205,935</u>
<u>Accumulated depreciation</u>							
Buildings	324,283	\$ -	\$ 190,167	\$ -	\$ -	\$ -	514,450
Machinery and equipment	4,296,896	-	1,437,001	-	-	15,663	5,749,560
Research and development equipment	4,426	-	3,257	-	-	-	7,683
Office equipment	7,573	-	12,676	(68)	(2,181)	101	18,101
Rental assets	-	-	17,127	-	-	181	17,308
Leasehold improvements	606	-	18,453	-	-	2,409	21,468
Miscellaneous equipment	83,660	-	53,958	(8)	2,181	452	140,243
	<u>4,717,444</u>	<u>\$ -</u>	<u>\$ 1,732,639</u>	<u>\$ (76)</u>	<u>\$ -</u>	<u>\$ (18,806)</u>	<u>6,468,813</u>
<u>Accumulated impairment</u>							
Machinery and equipment	46,984	\$ -	\$ 50,530	\$ -	\$ -	\$ -	97,514
Advance payments and construction in progress	32,699	-	-	-	-	-	32,699
	<u>79,683</u>	<u>\$ -</u>	<u>\$ 50,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>130,213</u>
	<u>\$ 9,642,807</u>						<u>\$ 15,606,909</u>

	Year Ended December 31, 2013						
	Balance, Beginning of Year	Acquisitions Through Business Combinations	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Year
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
<u>Cost</u>							
Land	\$ 14,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,469
Buildings	90,014	51,594	-	-	493	-	142,101
Machinery and equipment	342,579	128,207	14,844	-	10,770	720	497,120
Research and development equipment	388	151	-	-	51	-	590
Office equipment	467	2,012	35	(3)	(111)	1	2,401
Rental assets	-	5,407	-	-	-	5	5,412
Leasehold improvements	86	9,854	51	-	-	130	10,121
Miscellaneous equipment	5,690	5,225	247	-	302	23	11,487
Advance payments and construction in progress	20,524	5,037	87,977	(56,122)	(11,505)	(353)	45,558
	<u>474,217</u>	<u>\$ 207,487</u>	<u>\$ 103,154</u>	<u>\$ (56,125)</u>	<u>\$ -</u>	<u>\$ (526)</u>	<u>729,259</u>
<u>Accumulated depreciation</u>							
Buildings	10,650	\$ -	\$ 6,245	\$ -	\$ -	\$ -	16,895
Machinery and equipment	141,113	-	47,193	-	-	514	188,820
Research and development equipment	145	-	107	-	-	-	252
Office equipment	249	-	416	(2)	(72)	4	595
Rental assets	-	-	562	-	-	6	568
Leasehold improvements	20	-	606	-	-	79	705
Miscellaneous equipment	2,747	-	1,772	-	72	15	4,606
	<u>154,924</u>	<u>\$ -</u>	<u>\$ 56,901</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ 618</u>	<u>212,441</u>
<u>Accumulated impairment</u>							
Machinery and equipment	1,543	\$ -	\$ 1,659	\$ -	\$ -	\$ -	3,202
Advance payments and construction in progress	1,074	-	-	-	-	-	1,074
	<u>2,617</u>	<u>\$ -</u>	<u>\$ 1,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,276</u>
	<u>\$ 316,676</u>						<u>\$ 512,542</u>

For 2012, NSP recognized property impairment losses of NT\$56,521 thousand, which, because of the estimated dismantling and scrap costs for plant relocation, had been reclassified to loss on disposal of property, plant and equipment because of the completion of disposal. Further, NSP recognized impairment losses of NT\$32,699 thousand on construction in progress due to the drop in market prices of the unused steel materials. NSP assessed the indications of impairment for machinery and equipment, and determined that the recoverable amount of machinery and equipment was estimated to be less than its carrying amount, thus NSP also recognized impairment losses on machinery and equipment of NT\$46,984 thousand and NT\$50,530 thousand (US\$1,659 thousand) as of December 31, 2012 and March 31, 2013, respectively.

The Corporation measured the recoverable amount of machinery and equipment at fair value less costs to sell, with cost to sell based on market information. The impairment loss has been recorded under consolidated statements of comprehensive income - other income and expenses.

In 2012 and 2013, the above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life of the assets:

Buildings	15-21 years
Machinery and equipment	4-11 years (Note)
Research and development equipment	4-6 years
Office equipment	4 years
Rental assets	10 years
Leasehold improvements	4-11 years
Miscellaneous equipment	4-16 years

Note: NSP extended the useful lives of certain items of machinery and equipment from 6 years to 8 or 11 years from April 1, 2013 (please refer to Note 5).

The major components of the buildings held by the Corporation included plants and electric-powered machinery, etc., which were depreciated over their estimated useful lives of 15 to 21 years.

Refer to Note 36 for the carrying amount of property, plant and equipment pledged by the Corporation to secure borrowings.

For 2013, the deduction included NT\$1,708,917 thousand (US\$56,122 thousand), which was transferred to finance lease receivables.

16. INTANGIBLE ASSETS

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Carrying amounts of each class</u>				
Goodwill (Note 30)	\$ -	\$ -	\$ 512,440	\$ 16,829
Brands	-	-	45,299	1,488
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 557,739</u>	<u>\$ 18,317</u>

	Brands	
	NT\$	US\$ (Note 6)
<u>Cost</u>		
Balance at January 1, 2013	\$ -	\$ -
Additions	-	-
Acquired from business combination	108,800	3,573
Translation adjustments	<u>302</u>	<u>10</u>
Balance at December 31, 2013	<u>109,102</u>	<u>3,583</u>
<u>Accumulated amortization</u>		
Balance at January 1, 2013	-	-
Amortization	(62,891)	(2,065)
Translation adjustments	<u>(912)</u>	<u>(30)</u>
Balance at December 31, 2013	<u>(63,803)</u>	<u>(2,095)</u>
	<u>\$ 45,299</u>	<u>\$ 1,488</u>

The above items of other intangible assets were depreciated on a straight-line basis over one year.

The Corporation's goodwill was tested for impairment at the end of the annual reporting period and the recoverable amount was based on value in use. The value in use was calculated on the basis of the cash flow forecast from the financial budgets covering the future five-year period, and the Corporation used the annual discount rate of 6.30% in its test of impairment as of December 31, 2013 to reflect the specific risk in the relevant cash-generating unit.

For 2013, the Corporation did not recognize any impairment loss on goodwill.

No intangible assets had been pledged as collateral for the Corporation's bank loans.

17. PREPAYMENTS FOR LEASE

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Current assets	\$ -	\$ 5,872	\$ 3,415	\$ 112
Noncurrent assets	<u>-</u>	<u>23,309</u>	<u>31,027</u>	<u>1,019</u>
	<u>\$ -</u>	<u>\$ 29,181</u>	<u>\$ 34,442</u>	<u>\$ 1,131</u>

Prepayments for lease, which mainly included land use rights paid for power facility construction in the U.S., were amortized on a straight-line basis over 30 years. As of December 31, 2013, such land use rights amounted to NT\$31,027 thousand (US\$1,019 thousand). The Corporation had obtained the certificates on land use rights.

18. PREPAYMENTS AND OTHER ASSETS

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Prepayments</u>				
Payments in advance	\$ 2,504,906	\$ 1,642,247	\$ 1,953,751	\$ 64,163
Prepayments for equipment	-	8,673	69,000	2,266
Others	<u>20,264</u>	<u>30,624</u>	<u>46,627</u>	<u>1,531</u>
	<u>\$ 2,525,170</u>	<u>\$ 1,681,544</u>	<u>\$ 2,069,378</u>	<u>\$ 67,960</u>
<u>Other assets</u>				
Prepaid sales tax	\$ -	\$ 10,501	\$ 1,166,070	\$ 38,295
Restricted deposits	-	-	368,359	12,097
Prepaid legal and other expenses	10,861	30,336	16,660	547
Pledged time deposits	10,215	8,728	10,625	349
Others	<u>94,794</u>	<u>63,980</u>	<u>93,455</u>	<u>3,069</u>
	<u>\$ 115,870</u>	<u>\$ 113,545</u>	<u>\$ 1,655,169</u>	<u>\$ 54,357</u>
<u>Prepayments</u>				
Current	\$ 362,706	\$ 324,461	\$ 264,611	\$ 8,690
Noncurrent	<u>2,162,464</u>	<u>1,357,083</u>	<u>1,804,767</u>	<u>59,270</u>
	<u>\$ 2,525,170</u>	<u>\$ 1,681,544</u>	<u>\$ 2,069,378</u>	<u>\$ 67,960</u>
<u>Other assets</u>				
Current	\$ 26,472	\$ 52,156	\$ 1,593,722	\$ 52,339
Noncurrent	<u>89,398</u>	<u>61,389</u>	<u>61,447</u>	<u>2,018</u>
	<u>\$ 115,870</u>	<u>\$ 113,545</u>	<u>\$ 1,655,169</u>	<u>\$ 54,357</u>

The Corporation recognized impairment loss on prepayments after assessment; please refer to Notes 5 and 37.

19. LOANS

a. Short-term bank loans

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Working capital loans - interest at 0.9670%- 2.9459% in 2013; 0.9600%- 2.2600% in 2012	<u>\$ 729,949</u>	<u>\$ 2,942,427</u>	<u>\$ 2,732,789</u>	<u>\$ 89,747</u>

b. Long-term bank loans

	January 1, 2012 NT\$	December 31, 2012 NT\$	December 31, 2013 NT\$ US\$ (Note 6)	
Syndicated loans: lead bank - Taiwan Cooperative Bank Repayable semiannually from November 2012 to November 2015; repayment of 10% each period before 2015 and 40% on the last payment, with annual floating interest rates at 1.4037%-1.6253% in 2012 and 1.5926%-1.8288% in 2013	\$ 1,250,000	\$ 2,244,448	\$ 1,755,308	\$ 57,646
Repayable semiannually from November 2012 to November 2015, with annual floating interest rates at 1.5663% in 2012 and 1.5442% in 2013	1,050,000	2,128,976	1,413,112	46,408
Syndicated loans: lead bank - China Trust Bank Repayable semiannually from February 2012 to August 2016; repayment of 50% before February 2013; repayment of 10% on fourth to sixth repayments; and repayment of 40% for the remaining period until August 2016; with annual floating interest rate at 2.5232%	-	-	1,094,667	35,950
Repayable in August 2016, with annual floating interest rate at 2.6800%	-	-	1,000,000	32,841
Secured loan from Cathay United Bank Repayable quarterly from November 2013 to October 2026; repayment of at least US\$6,500 thousand on the first installment, with annual floating interest at 3.5376% in 2013	-	-	733,775	24,098

(Continued)

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Secured loans from First Bank				
Repayable quarterly from September 2011 to June 2015, with annual floating interest at 2.08%	\$ 64,900	\$ 54,083	\$ 39,661	\$ 1,302
Repayable monthly from November 2013 to October 2020, with annual floating interest at 3.42% in 2013	-	-	29,206	959
Secured loans from EnTie Bank				
Repayable monthly from December 2012 to November 2019, with annual floating interest rates at 3.782% in 2012 and 3.793% in 2013	-	48,000	239,060	7,851
Repayable monthly from May 2013 to April 2020, with annual floating interest rate at 3.793% in 2013	-	-	23,901	785
Secured loan from Mega Bank				
Repayable monthly from May 2013 to April 2020, with annual floating interest rate at 3.5% in 2013	-	-	29,870	981
Secured loan from First Bank				
Repayable quarterly from January 2010 to January 2014, with annual floating interest rate at 1.4295%-1.4432% in 2012	904,000	-	-	-
Other borrowings				
Repayable monthly from August 2013 to July 2023	-	-	49,338	1,620
Repayable monthly from August 2013 to July 2015	-	-	37,307	1,225
Repayable monthly from June 2013 to December 2015	-	-	21,482	705
	3,268,900	4,475,507	6,466,687	212,371
Current portion	(1,009,017)	(1,301,042)	(1,757,933)	(57,732)
	<u>\$ 2,259,883</u>	<u>\$ 3,174,465</u>	<u>\$ 4,708,754</u>	<u>\$ 154,639</u> (Concluded)

Other borrowings were fixed-rate loans from a finance company. As of December 31, 2013, the latest maturity of other borrowings was by August 2023. The annual effective interest rate was 6.97%.

The loan agreements require the maintenance of certain financial ratios based on NSP's annual and semiannual financial reports. The related restrictions are as follows:

First Bank syndicated loan:

- 1) Current ratio (Current assets/Current liabilities): At least 100%;
- 2) Debt to equity ratio (Total liabilities/Total shareholders' equity): No more than 120%;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/Interest expense]: At least 4;

NSP paid compensation for not meeting the interest coverage ratio requirement as of June 30, 2011 and was not able to improve its interest coverage ratio by the next compliance examination date as of December 31, 2011. NSP paid another compensation for not meeting the interest coverage ratio requirement as of June 30, 2012 and early settled the remaining loan amount in July 2012.

Taiwan Cooperative Bank syndicated loan:

- 1) Current ratio (Current assets /Current liabilities): At least 100%;
- 2) Debt to equity ratio (Total financial liabilities/Total shareholders' equity): No more than 110%;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/Interest expense]: At least 2. The income before tax should not include the amount of valuation of financial liabilities.
- 4) Tangible net worth: At least NT\$6,000,000 thousand (US\$197,044 thousand).

NSP did not meet the required interest coverage ratio as of December 31, 2011 and was not able to raise its interest coverage ratio by the next compliance examination date as of June 30, 2012; nevertheless, the lending banks agreed to grant NSP an exemption from paying compensation despite NSP's failure to raise its interest coverage ratio for 2012. Regardless of this exemption, NSP paid the compensation paid for failing to meet the interest coverage ratio requirement for 2012.

NSP had acquired syndicated loans, with China Trust Bank as lead bank, because of a business combination. NSP renegotiated the loans with the banking syndicate, resulting in new loan agreements. These agreements require the maintenance of certain financial ratios based on NSP's consolidated annual and semiannual financial reports. The related restrictions are as follows:

China Trust Bank-led syndicated loan:

- 1) Current ratio (Current asserts/Current liabilities): At least 100%;
- 2) Debt to equity ratio (Total liabilities/Total shareholders' equity): No more than 100%;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/Interest expense]: At least 3.
- 4) Tangible net worth: At least NT\$4,000,000 thousand (US\$131,363 thousand).

NSP did not meet the required debt to equity ratio as of June 30, 2013, thus, NSP accrued the related compensation expenses, as required under the loan agreement.

Secured loan from EnTie Bank:

The loan agreement requires the maintenance of certain financial ratios based on General Energy Solutions's consolidated annual and semiannual financial reports. The related restrictions are as follows:

- 1) Debt to equity ratio (Total liabilities and contingent liabilities/Total shareholders' equity): No more than 300%;
- 2) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/principle and interest paid in current year]: At least 1

As of December 31, 2013, General Energy Solutions was in compliance with the above ratio requirements.

Secured loan from Cathay United Bank:

The loan agreement requires the maintenance of certain financial ratios based on ET ENERGY's quarterly financial reports. The related restriction is as follows:

Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/principle paid in current year]: No less than 125%.

ET ENERGY was not able to meet the required debt service coverage ratio as of December 31, 2013; thus, according to the agreements ET ENERGY only needed to increase the restricted deposits.

For those contracts stated that falling short of the financial ratio, they were not considered breaches of the contract.

The assets pledged as collaterals are shown in Note 36.

20. BONDS PAYABLE

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Secured domestic convertible bonds	\$ -	\$ -	\$ 549,004	\$ 18,030
Less: Current portion	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,004</u>	<u>\$ 18,030</u>

Secured domestic convertible bonds

On October 1, 2013, NSP issued its first and second 3-year domestic secured convertible bonds, with the total par value of NT\$500,000 thousand (US\$16,420 thousand), aggregate principal of NT\$1,000,000 thousand (US\$32,841 thousand) and par rate of 0%. The bonds are convertible from November 2, 2013 to September 21, 2016 at applicable conversion price. The conversion price was initially set at NT\$29.35 (US\$0.9639) per share upon issuance, and was adjusted to NT\$28.33 (US\$0.9304) per share in October 2013 pursuant to the provisions of the trust deed of the bonds. The bonds will be redeemed at 100% of their principal amount on October 1, 2016.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - conversion option of bonds. The effective interest rates for the liability components were 1.3964% and 1.5075% per annum on initial recognition in 2013.

As of December 31, 2013, the outstanding convertible bonds on the first and second issue amounted to NT\$323,541 thousand (US\$10,625 thousand) and 225,463 thousand (US\$7,404 thousand), respectively.

	NT\$	US\$ (Note 6)
Proceeds from issue (less transaction costs of NT\$4,170 thousand (US\$137 thousand))	\$ 998,830	\$ 32,802
Equity component (less transaction costs allocated to the equity component amount of NT\$173 thousand (US\$6 thousand))	<u>(41,427)</u>	<u>(1,360)</u>
Liability component at the date of issue	957,403	31,442
Interest charged at an effective interest rate	3,179	105
Convertible bonds converted into common shares	<u>(411,578)</u>	<u>(13,517)</u>
Liability component at December 31, 2013	<u>\$ 549,004</u>	<u>\$ 18,030</u>

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	January 1, 2012 NT\$	December 31, 2012 NT\$	December 31, 2013	
			NT\$	US\$ (Note 6)
<u>Accrued expenses</u>				
Loss on contracts	\$ 448,979	\$ 661,064	\$ 499,845	\$ 16,415
Bonus	119,628	21,687	201,950	6,632
Salaries	79,754	77,106	158,318	5,199
Service charge	18,778	72,931	83,911	2,756
Others	<u>286,479</u>	<u>312,120</u>	<u>580,761</u>	<u>19,073</u>
	<u>\$ 953,618</u>	<u>\$ 1,144,908</u>	<u>\$ 1,524,785</u>	<u>\$ 50,075</u>
<u>Other current liabilities</u>				
Receipts under custody	\$ 4,198	\$ 7,512	\$ 9,021	\$ 296
Advanced receipts from customers	1,606	1,631	2,483	82
Others	<u>8,909</u>	<u>7,991</u>	<u>487</u>	<u>15</u>
	<u>\$ 14,713</u>	<u>\$ 17,134</u>	<u>\$ 11,991</u>	<u>\$ 393</u>

22. PROVISIONS

	January 1, 2012 NT\$	December 31, 2012 NT\$	December 31, 2013	
			NT\$	US\$ (Note 6)
<u>Noncurrent</u>				
Warranties	<u>\$ 52,166</u>	<u>\$ 65,368</u>	<u>\$ 159,098</u>	<u>\$ 5,225</u>

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ 52,166	\$ 65,368	\$ 2,147
Acquired from business combination	-	72,439	2,379
Additions	13,202	21,737	714
Use	<u>-</u>	<u>(446)</u>	<u>(15)</u>
Balance at December 31	<u>\$ 65,368</u>	<u>\$ 159,098</u>	<u>\$ 5,225</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits on the Corporation's obligations stated in sales agreements. The estimate was based on historical warranty trends and may vary as a result of the entry of new materials, altered manufacturing processes or other events affecting product quality.

23. RETIREMENT BENEFIT PLANS

The Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages in accordance with the Labor Pension Act, and these contributions are recognized as pension costs.

24. EQUITY

a. Common shares

1) Common shares

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	
Amount of shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 262,726</u>
Number of shares issued and fully paid (in thousands)	<u>428,905</u>	<u>460,677</u>	<u>777,029</u>	
Shares issued	\$ 4,289,048	\$ 4,606,774	\$ 7,770,292	\$ 255,182
Share premiums	<u>10,360,260</u>	<u>8,814,277</u>	<u>10,317,449</u>	<u>338,833</u>
	<u>\$ 14,649,308</u>	<u>\$ 13,421,051</u>	<u>\$ 18,087,741</u>	<u>\$ 594,015</u>

Fully paid common shares, which have a par value of NT\$10 (US\$0.3284), carry one vote per share and carry a right to dividends.

Of the Corporation's authorized shares, 80,000 thousand shares had been reserved for the issuance of employee share options.

A reconciliation of the number of shares outstanding was as follows:

	Number of Shares (Shares in Thousands)	Common Shares NT\$	Share Premium NT\$
Balance at January 1, 2012	428,905	\$ 4,289,048	\$ 10,360,260
Issuance of common shares for merger conversion	28,470	284,701	212,102
Offset of deficit against capital surplus and legal reserve	-	-	(1,761,191)
Issuance of shares upon exercise of employee share options	422	4,225	3,106
Issuance of restricted share for employees	2,949	29,485	-
Cancellation of restricted shares for employee	<u>(69)</u>	<u>(685)</u>	<u>-</u>
Balance at December 31, 2012	<u>460,677</u>	<u>\$ 4,606,774</u>	<u>\$ 8,814,277</u>
Balance at January 1, 2013	460,677	\$ 4,606,774	\$ 8,814,277
Issuance of shares upon exercise of employee share options	460	4,600	3,146
Issuance of common shares for business combination	168,508	1,685,075	2,138,922
Issuance of common shares for cash	130,000	1,300,000	1,807,000
Reclassification of additional paid-in capital from conversion of bonds	-	-	1,663,320
Offset of deficit against capital surplus	-	-	(4,173,633)
Conversion of convertible bonds	15,135	151,357	-
Cancellation of restricted shares for employees	(1,282)	(12,819)	-
Issuance of restricted shares for employees	3,531	35,305	-
Compensation cost of employee share options	<u>-</u>	<u>-</u>	<u>64,417</u>
Balance at December 31, 2013	<u>777,029</u>	<u>\$ 7,770,292</u>	<u>\$ 10,317,449</u>

	Common Shares	Share Premium
	US\$ (Note 6)	US\$ (Note 6)
Balance at January 1, 2013	\$ 151,290	\$ 289,467
Issuance of shares upon exercise of employee share options	151	103
Issuance of common shares for business combination	55,339	70,244
Issuance of common shares for cash	42,693	59,343
Reclassification of additional paid-in capital from conversion of bonds	-	54,625
Offset of deficit against capital surplus	-	(137,065)
Conversion of convertible bonds	4,971	-
Cancellation of restricted shares for employees	(421)	-
Issuance of restricted shares for employees	1,159	-
Compensation cost of employee share options	<u>-</u>	<u>2,116</u>
Balance at December 31, 2013	<u>\$ 255,182</u>	<u>\$ 338,833</u>

In their meeting on June 19, 2012, the shareholders approved the offering of up to 160,000 thousand private-placement common shares at a par value of NT\$10 per share and the increase of NSP's capital by issuing common shares or listing global depositary shares (GDS) representing up to 160,000 thousand shares. On March 14, 2013, NSP's Board of Directors approved the cancellation of these private-placement shares.

On November 19, 2012, NSP's Board of Directors approved the public tender offer for acquiring the common shares of DelSolar at price of 0.703 NSP new common shares plus cash of NT\$0.5 for each common share of DelSolar. The public tender offer was aimed at acquiring 40,498 thousand shares of DelSolar, and the minimum acceptance threshold was 35,099 thousand shares. As of the completion date of public tender offer, December 14, 2012, NSP had acquired 40,498 thousand shares of DelSolar for a 15% percentage of ownership.

In their special meeting on February 6, 2013, the shareholders proposed the issuance of new shares for a merger with DelSolar at a tentative price of 0.735 NSP common shares for each common share of DelSolar. For this merger, NSP proposed an increase in its capital by NT\$1,686,758 thousand (US\$55,394 thousand) by issuing 168,676 thousand new common shares at a par value of NT\$10 (US\$0.3284). The merger date was May 31, 2013.

On April 19, 2013, NSP's Board of Directors approved a decrease in the common shares to be issued for the merger with DelSolar from 168,676 thousand shares to 168,508 thousand shares, because of the cancellation of restricted shares of DelSolar's employees.

In their meeting on May 31, 2013, the shareholders approved the private placement of 150,000 thousand common shares at a par value of NT\$10 per share (US\$0.3284 per share) and increase NSP's capital by issuing up to 150,000 thousand shares. On March 18, 2014 NSP's Board of Directors approved the cancellation of this private placement plan.

On August 7, 2013, NSP's Board of Directors approved an increase its capital by NT\$3,107,000 thousand (US\$102,036 thousand) through a public offering of 130,000 thousand new common shares at a par value of NT\$10 (US\$0.3284). The board set October 25, 2013 as the subscription date, and NSP completed the issuance of new shares on this date. The board also approved the public issuance of the first and second secured domestic convertible bonds with total par values of up to NT\$500,000 thousand (US\$16,420 thousand) each and an aggregate par value of up to NT\$1,000,000 thousand (US\$32,841 thousand). The board also approved the issuance to employees of 3,531 thousand restricted shares amounting to NT\$35,305 thousand (US\$1,159 thousand). These issuances were approved by the Financial Supervisory Commission (FSC) on September 12, 2013, and actual issuances were on October 1, 2013 and August 28, 2013; more information on the bonds and restricted shares for employees is shown in Notes 20 and 29.

On March 18, 2014, NSP's board approved an increase in its capital (a) by NT\$2,015,000 thousand (US\$66,174 thousand) by a public offering of 65,000 thousand new common shares at a par value of NT\$10 (US\$0.3284) (b) by the issue of the second secured overseas convertible bonds with an aggregate par value of up to US\$150,000 thousand; and (c) by an issuance of up to 180,000 thousand shares of capital shares or global depositary shares.

2) Global depositary receipts

On July 14, 2011, NSP offered 100,000 thousand shares of capital share for a 20,000 thousand global depositary share (GDS) offering. Each GDS represented five common shares. The GDS issue price was US\$6.62 per share, and a total of US\$132,400 thousand was raised. The GDS was listed on the Luxembourg Stock Exchange on July 20, 2011.

b. Capital surplus

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Share Premium	\$ 10,360,260	\$ 8,814,277	\$ 10,317,449	\$ 338,832
Conversion of bonds	1,663,320	1,663,320	278,146	9,135
Conversion option of bonds	-	-	23,502	772
Difference between consideration and adjusted carrying amounts arising from changes in percentage of ownership of a subsidiary	-	40,360	-	-
Employee share options	-	-	3,022	99
Restricted shares for employees	-	17,856	75,450	2,478
	<u>\$ 12,023,580</u>	<u>\$ 10,535,813</u>	<u>\$ 10,697,569</u>	<u>\$ 351,316</u>

A reconciliation of the carrying amount at the beginning and at the end of 2012 and 2013 for each component of capital surplus was as follows:

	Share Premium	Conversion of Bonds	Conversion Option of Bonds	Difference between Consideration and Adjusted Carrying Amounts Arising from Changes in Percentage of Ownership of Subsidiary	Employee Share Options	Restricted Shares for Employees
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2012	\$ 10,360,260	\$ 1,663,320	\$ -	\$ -	\$ -	\$ -
Offset of deficit against capital surplus and legal reserve	(1,761,191)	-	-	-	-	-
Issuance of common share for merger conversion	212,102	-	-	-	-	18,281
Cancellation of restricted shares of employees	-	-	-	-	-	(425)
Issuance of shares upon exercise of employee share options	3,106	-	-	-	-	-
Difference between consideration and adjusted carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	-	-	-	40,360	-	-
Balance at December 31, 2012	<u>\$ 8,814,277</u>	<u>\$ 1,663,320</u>	<u>\$ -</u>	<u>\$ 40,360</u>	<u>\$ -</u>	<u>\$ 17,856</u>
Balance at January 1, 2013	\$ 8,814,277	\$ 1,663,320	\$ -	\$ 40,360	\$ -	\$ 17,856
Issuance of shares upon exercise of employee share options	3,146	-	-	-	-	-
Difference between consideration and adjusted carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	-	-	-	(40,360)	-	-
Issuance of common shares for business combination	2,138,922	-	-	-	2,438	28,332
Issuance of common shares for cash	1,807,000	-	-	-	-	-
Reclassification of additional paid-in capital from conversion of bonds	1,663,320	(1,663,320)	-	-	-	-
Equity component of convertible bonds issued	-	-	41,427	-	-	-
Conversion of convertible bonds	-	278,146	(17,925)	-	-	-
Offset of deficit against capital surplus	(4,173,633)	-	-	-	-	-
Cancellation of restricted shares for employees	-	-	-	-	-	(16,458)
Issuance of restricted shares for employees	-	-	-	-	-	45,720
Compensation cost of employee share options	64,417	-	-	-	584	-
Balance at December 31, 2013	<u>\$ 10,317,449</u>	<u>\$ 278,146</u>	<u>\$ 23,502</u>	<u>\$ -</u>	<u>\$ 3,022</u>	<u>\$ 75,450</u>

	Share Premium	Conversion of Bonds	Conversion Option of Bonds	Difference between Consideration and Adjusted Carrying Amounts Arising from Changes in Percentage of Ownership of Subsidiary	Employee Share Options	Restricted Shares for Employees
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
Balance at January 1, 2013	\$ 289,467	\$ 54,625	\$ -	\$ 1,326	\$ -	\$ 586
Issuance of shares upon exercise of employee share options	103	-	-	-	-	-
Difference between consideration and adjusted carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	-	-	-	(1,326)	-	-
Issuance of common shares for business combination	70,243	-	-	-	80	930
Issuance of common shares for cash	59,343	-	-	-	-	-
Reclassification of additional paid-in capital from conversion of bonds	54,625	(54,625)	-	-	-	-
Equity component of convertible bonds issued	-	-	1,360	-	-	-
Conversion of convertible bonds	-	9,135	(588)	-	-	-
Offset of deficit against capital surplus	(137,065)	-	-	-	-	-
Cancellation of restricted shares for employees	-	-	-	-	-	(540)
Issuance of restricted shares for employees	-	-	-	-	-	1,502
Compensation cost of employee share options	2,116	-	-	-	19	-
Balance at December 31, 2013	<u>\$ 338,832</u>	<u>\$ 9,135</u>	<u>\$ 772</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 2,478</u>

The capital surplus from shares issued in excess of par (share premium, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the NSP has no deficit, capital surplus may be distributed as cash dividends or transferred to capital (once a year within to a certain percentage of NSP's paid-in capital).

The capital surplus from investments accounted for using the equity method, employee share options and restricted shares for employees may not be used for any purpose.

c. Retained earnings and dividend policy

	Year Ended December 31					
	2012		2013			
	Legal Reserve	Accumulated Deficit	Legal reserve		Unappropriated Earnings (Accumulated Deficit)	
	NT\$	NT\$	NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
Balance at January 1	\$ 273,849	\$(2,052,583)	\$ -	\$ -	\$(4,199,553)	\$ (137,916)
Offset of deficit against capital surplus and legal reserve	(273,849)	2,035,040	-	-	4,173,633	137,065
Additional acquisition of partially owned subsidiaries at a percentage different from its earlier ownership percentage	-	-	-	-	(896)	(29)
Income (losses) attributable to owners of NSP	-	(4,182,010)	-	-	502,480	16,501
Balance at December 31	<u>\$ -</u>	<u>\$(4,199,553)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,664</u>	<u>\$ 15,621</u>

Under NSP's Articles of Incorporation, upon closing of accounts, if there is profit, NSP should first pay the corporate income tax in accordance with the law, offset a deficit in previous years and then set aside a legal reserve of 10% of the profits left over, and retain special reserve(s) pursuant to applicable laws. Then, NSP will appropriate the remaining earnings as employees' bonus (no less than 3%) and remuneration to directors (no more than 2%). On any remaining balance plus unappropriated earnings of prior years, the Board of Directors will propose an appropriation of shareholders' bonus to be presented in the shareholders' meeting for approval. NSP may issue profit sharing to employees of an affiliated company who meet the conditions set by the board. The board chairman is authorized to decide the actual amount to be appropriated as employees' bonus. Bonus to shareholders should be paid in cash or shares. Cash bonus shall be more than 10% of the total bonus to shareholders.

NSP's bonuses payable to employees and directors were NT\$69,821 thousand (US\$2,293 thousand) and NT\$7,000 thousand (US\$230 thousand) for 2013, respectively. NSP incurred a deficit in 2012; thus, neither bonus to employees nor remuneration to directors was estimated. The amounts of bonus to employees and directors were estimated on the basis of statutes, NSP's Articles of Incorporation and experience. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts subsequently approved at the shareholders' meeting differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and share dividends) of the shares of the day immediately preceding the shareholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of certain shareholders' equity accounts should be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of Taiwan IFRSs," on the first-time adoption of Taiwan IFRSs, a company should appropriate and reverse a special reserve.

Legal reserve should be appropriated from earnings until the legal reserve equals NSP's paid-in capital. Legal reserve may be used to offset deficit. If NSP has no deficit and the legal reserve has exceeded 25% of NSP's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by NSP.

In their meeting on June 19, 2012, the shareholders resolved to offset NSP's accumulated deficit amounts of NT\$273,849 thousand against legal reserve and NT\$1,761,191 thousand against capital surplus.

In their meeting on May 31, 2013, the shareholders resolved to offset NSP's accumulated deficit of NT\$4,173,633 thousand (US\$137,065 thousand) against capital surplus.

The offset of the accumulated deficit for 2012 was presented in NSP's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Principles in the Republic of China (ROC GAAP), and in the balance sheet as of December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

The appropriation of the 2013 earnings was proposed by the Corporation's board on March 18, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share	
	NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
Legal reserve	\$ 47,566	\$ 1,562		
Special reserve	18,928	622		
Cash dividends	<u>236,003</u>	<u>7,751</u>	\$ 0.3	\$ 0.0099
	<u>\$ 302,497</u>	<u>\$ 9,935</u>		

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to approval at the shareholders' meeting.

Information on the bonus to employees, directors and supervisors proposed by the Corporation's Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves appropriated following first-time adoption of Taiwan IFRSs

NSP had a decrease in retained earnings that resulted from all Taiwan IFRSs adjustments; thus, no special reserve was appropriated.

e. Other equity items

1) Foreign currency translation reserve

	Years ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ -	\$ (415)	\$ (14)
Exchange differences arising on translating the foreign operations	<u>(415)</u>	<u>42,451</u>	<u>1,394</u>
Balance at December 31	<u>\$ (415)</u>	<u>\$ 42,036</u>	<u>\$ 1,380</u>

Exchange differences relating to the translation of the results and net assets of the Corporation's foreign operations from their functional currencies to the Corporation's presentation currency (i.e., the New Taiwan dollar) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized gain (loss) on available-for-sale financial assets

	Years ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ -	\$ (24,237)	\$ (796)
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(24,237)	229,857	7,549
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	<u>-</u>	<u>(266,584)</u>	<u>(8,755)</u>
Balance at December 31	<u>\$ (24,237)</u>	<u>\$ (60,964)</u>	<u>\$ (2,002)</u>

The unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains and losses on the fair value changes of available-for-sale financial assets, which have been recognized in other comprehensive income.

3) Unearned profit for employees

The shareholders approved the first restricted share plan for employees in the shareholders' meeting of June 19, 2012 and the second restricted share plan for employees was approved by the NSP's board on August 7, 2013. Refer to Note 29 for more information on restricted shares issued.

	Years ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ -	\$ (36,152)	\$ (1,187)
Issuance of common share for business combination	-	(32,150)	(1,055)
Share cancellation	1,110	29,277	961
Share issuance	(47,766)	(81,025)	(2,661)
Compensation cost	<u>10,504</u>	<u>52,470</u>	<u>1,723</u>
Balance at December 31	<u>\$ (36,152)</u>	<u>\$ (67,580)</u>	<u>\$ (2,219)</u>

f. Noncontrolling interests

	Total	
	NT\$	US\$ (Note 6)
Balance at January 1, 2012	\$ 11,686	
Attributable to noncontrolling interests:		
Share of loss for the year	(19,278)	
Increase in noncontrolling interests	<u>180,940</u>	
Balance at December 31, 2012	<u>\$ 173,348</u>	

(Continued)

	Total	
	NT\$	US\$ (Note 6)
Balance at January 1, 2013	\$ 173,348	\$ 5,693
Attributable to noncontrolling interests:		
Share of income for the year	12,965	426
Increase in noncontrolling interests	<u>167,411</u>	<u>5,498</u>
Balance at December 31, 2013	<u>\$ 353,724</u>	<u>\$ 11,617</u> (Concluded)

25. REVENUE

The analysis of the Corporation's revenue was as follows:

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Revenue from the sale of goods	\$ 11,639,656	\$ 19,094,737	\$ 627,085
Processing fee revenue	534,796	682,469	22,413
Revenue from other activities	<u>66,561</u>	<u>307,047</u>	<u>10,083</u>
	<u>\$ 12,241,013</u>	<u>\$ 20,084,253</u>	<u>\$ 659,581</u>

26. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

1) Other income and expenses

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Loss on financial assets	\$ -	\$ 88,950	\$ 2,921
Impairment loss on property, plant and equipment	79,683	50,530	1,659
Net loss on disposal of property, plant and equipment	<u>65,736</u>	<u>31</u>	<u>1</u>
	<u>\$ 145,419</u>	<u>\$ 139,511</u>	<u>\$ 4,581</u>

2) Interest income and other income

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Interest income			
Bank deposits	\$ 18,160	\$ 18,114	\$ 595
Convertible bonds	-	785	26
Tax refund receivable	-	299	10
Security deposits	<u>17</u>	<u>31</u>	<u>1</u>
	<u>\$ 18,177</u>	<u>\$ 19,229</u>	<u>\$ 632</u>
Other income			
Compensation income	\$ 11,980	\$ 22,967	\$ 754
Government grants	-	3,330	109
Others	<u>15,318</u>	<u>15,615</u>	<u>513</u>
	<u>\$ 27,298</u>	<u>\$ 41,912</u>	<u>\$ 1,376</u>

3) Finance costs

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Interest on bank loans	\$ 74,482	\$ 183,846	\$ 6,038
Interest on convertible bonds	-	3,179	104
Other interest expense	<u>1,640</u>	<u>2,149</u>	<u>71</u>
	<u>\$ 76,122</u>	<u>\$ 189,174</u>	<u>\$ 6,213</u>

4) Depreciation and amortization

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Property, plant and equipment	\$ 1,890,604	\$ 1,732,639	\$ 56,901
Intangible assets	<u>-</u>	<u>62,891</u>	<u>2,065</u>
	<u>\$ 1,890,604</u>	<u>\$ 1,795,530</u>	<u>\$ 58,966</u>
An analysis of deprecation by function			
Operating costs	\$ 1,835,403	\$ 1,635,699	\$ 53,718
Operating expenses	<u>55,201</u>	<u>96,940</u>	<u>3,183</u>
	<u>\$ 1,890,604</u>	<u>\$ 1,732,639</u>	<u>\$ 56,901</u>
An analysis of amortization by function			
Operating expenses	<u>\$ -</u>	<u>\$ 62,891</u>	<u>\$ 2,065</u>

5) Employee benefits expense

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Post-employment benefits (Note 23)			
Defined contribution plans	\$ 53,884	\$ 65,393	\$ 2,148
Share-based payments			
Equity-settled share-based payments	10,504	117,471	3,858
Other employee benefits	<u>1,233,719</u>	<u>1,855,200</u>	<u>60,926</u>
Total employee benefits expense	<u>\$ 1,298,107</u>	<u>\$ 2,038,064</u>	<u>\$ 66,932</u>
An analysis of employee benefits expense by function			
Operating costs	\$ 990,457	\$ 1,479,662	\$ 48,593
Operating expenses	<u>307,650</u>	<u>558,402</u>	<u>18,339</u>
	<u>\$ 1,298,107</u>	<u>\$ 2,038,064</u>	<u>\$ 66,932</u>

6) Gain or loss on foreign currency exchange

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Foreign exchange gains	\$ 214,820	\$ 348,592	\$ 11,448
Foreign exchange losses	<u>(207,995)</u>	<u>(310,723)</u>	<u>(10,204)</u>
Net profit	<u>\$ 6,825</u>	<u>\$ 37,869</u>	<u>\$ 1,244</u>

7) Components of other comprehensive income

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Unrealized (loss) gain on available-for-sale financial assets:			
Arising during the year	\$ (24,237)	\$ 229,857	\$ 7,549
Reclassification adjustments - upon disposal	<u>-</u>	<u>(266,584)</u>	<u>(8,755)</u>
	<u>\$ (24,237)</u>	<u>\$ (36,727)</u>	<u>\$ (1,206)</u>
Exchange difference on translating foreign operations:			
Arising during the year	<u>\$ (415)</u>	<u>\$ 42,451</u>	<u>\$ 1,394</u>

27. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax income (expense) were as follows:

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Current tax			
Current year	\$ -	\$ (340)	\$ (11)
Prior periods	<u>40,574</u>	<u>16,366</u>	<u>537</u>
Income tax benefit recognized in profit or loss	<u>\$ 40,574</u>	<u>\$ 16,026</u>	<u>\$ 526</u>

A reconciliation of accounting profit and current income tax benefit (expenses) is as follows:

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
(Loss) income before tax	<u>\$ (4,241,862)</u>	<u>\$ 499,419</u>	<u>\$ 16,401</u>
Income tax income (expense) at the 17% statutory rate	\$ 721,117	\$ (84,901)	\$ (2,788)
Additional income tax under the Alternative Minimum Tax Act	-	(51)	(2)
Nondeductible expenses in determining taxable income	(3,012)	(3,906)	(128)
Tax-exempt income	14,982	51,863	1,703
Effect of different tax rate of group entities operating in other jurisdictions	2,088	(23,983)	(788)
Unrecognized loss carryforwards	(735,175)	60,638	1,992
Adjustments for prior years' tax	<u>40,574</u>	<u>16,366</u>	<u>537</u>
Income tax benefit recognized in profit or loss	<u>\$ 40,574</u>	<u>\$ 16,026</u>	<u>\$ 526</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by group entities operating in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax assets and liabilities

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Current tax assets				
Tax refund receivable	\$ 3,148	\$ 3,877	\$ 15,645	\$ 514
Prepaid income tax	-	-	5,990	197
Acquisitions through business combinations	-	-	2,785	91
	<u>\$ 3,148</u>	<u>\$ 3,877</u>	<u>\$ 24,420</u>	<u>\$ 802</u>
Current tax liabilities				
Income tax payable	<u>\$ 40,574</u>	<u>\$ -</u>	<u>\$ 10,201</u>	<u>\$ 335</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2012

	Balance, Beginning of Year	Movements	Balance, End of Year
	NT\$	NT\$	NT\$
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation differences on property, plant and equipment	\$ 9,935	\$ 4,727	\$ 14,662
Loss on inventories	13,324	(2,079)	11,245
Others	<u>352</u>	<u>2,495</u>	<u>2,847</u>
	<u>\$ 23,611</u>	<u>\$ 5,143</u>	<u>\$ 28,754</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Deferred revenue	\$ -	\$ 17,086	\$ 17,086
Unrealized foreign exchange gain	23,611	(12,378)	11,233
Others	<u>-</u>	<u>435</u>	<u>435</u>
	<u>\$ 23,611</u>	<u>\$ 5,143</u>	<u>\$ 28,754</u>

For the year ended December 31, 2013

	Balance, Beginning of Year	Movements	Balance, End of Year
	NT\$	NT\$	NT\$
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation differences on property, plant and equipment	\$ 14,662	\$ 12,660	\$ 27,322
Loss on inventories	11,245	(868)	10,377
Others	<u>2,847</u>	<u>9,390</u>	<u>12,237</u>
	<u>\$ 28,754</u>	<u>\$ 21,182</u>	<u>\$ 49,936</u>

Deferred tax liabilities

Temporary differences			
Deferred revenue	\$ 17,086	\$ (2,893)	\$ 14,193
Unrealized foreign exchange gain	11,233	(9,716)	1,517
Unrealized investment gain	-	31,882	31,882
Revaluation gain on property, plant and equipment	-	93,296	93,296
Others	<u>435</u>	<u>(335)</u>	<u>100</u>
	<u>\$ 28,754</u>	<u>\$ 112,234</u>	<u>\$ 140,988</u>

	Balance, Beginning of Year	Movements	Balance, End of Year
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation differences on property, plant and equipment	\$ 482	\$ 416	\$ 898
Loss on inventories	369	(29)	340
Others	<u>93</u>	<u>308</u>	<u>402</u>
	<u>\$ 944</u>	<u>\$ 695</u>	<u>\$ 1,640</u>

Deferred tax liabilities

Temporary differences			
Deferred revenue	\$ 561	\$ (95)	\$ 466
Unrealized foreign exchange gain	369	(319)	50
Unrealized investment gain	-	1,047	1,047
Property, plant and equipment	-	3,064	3,064
Others	<u>14</u>	<u>(11)</u>	<u>3</u>
	<u>\$ 944</u>	<u>\$ 3,686</u>	<u>\$ 4,630</u>

- d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	January 1, 2012 NT\$	December 31, 2012 NT\$	December 31, 2013 NT\$	US\$ (Note 6)
Loss carryforwards				
Expiry in 2016	\$ -	\$ -	\$ 1,945,006	\$ 63,875
Expiry in 2017	-	-	3,294,724	108,201
Expiry in 2018	-	-	249,959	8,209
Expiry in 2020	30,241	37,324	-	-
Expiry in 2021	1,839,029	1,867,482	-	-
Expiry in 2022	-	4,058,188	-	-
Expiry in 2032	-	4,656	4,656	153
Expiry in 2033	-	-	132,194	4,341
	<u>\$ 1,869,270</u>	<u>\$ 5,967,650</u>	<u>\$ 5,626,539</u>	<u>\$ 184,779</u>
Investment credits				
Purchase of machinery and equipment	\$ 149,516	\$ 145,020	\$ 136,017	\$ 4,467
Research and development	18,480	14,090	-	-
Personnel training expenditures	<u>446</u>	<u>174</u>	<u>-</u>	<u>-</u>
	<u>\$ 168,442</u>	<u>\$ 159,284</u>	<u>\$ 136,017</u>	<u>\$ 4,467</u>
Deductible temporary differences	<u>\$ 1,527,041</u>	<u>\$ 1,791,524</u>	<u>\$ 1,628,084</u>	<u>\$ 53,467</u>

- e. Information on unused investment credits, unused loss carryforwards and tax-exemption

As of December 31, 2013, investment tax credits comprised:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount		Expiry Year
		NT\$	US\$ (Note 6)	
Statute for Upgrading Industries	Purchase of machinery and equipment	<u>\$ 132,194</u>	<u>\$ 4,341</u>	2014

NSP applied Article 38 of the Business Mergers And Acquisitions Act, which states that if the survivor company of a merger had a loss within five years before the merger, and this loss had been approved by the authorities to be tax-deductible pro rata by each entity participating in the merger, the survivor entity may deduct this loss from its current year's profit within five years of loss occurrence.

As of December 31, 2013, profits attributable to the following expansion projects were exempted from income tax for five years under the Statute for Upgrading Industries:

Statute for Upgrading Industries	Period
First expansion of the manufacturing plant	April 10, 2008-April 9, 2013
Second expansion of the manufacturing plant	January 1, 2010-December 31, 2014
Expansion of the manufacturing plant acquired through business combination	January 1, 2014-December 31, 2018
Third expansion of the manufacturing plant	January 1, 2015-December 31, 2019

- f. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2013, the taxable temporary difference associated with investments in subsidiaries for which no deferred tax liabilities have been recognized was NT\$3,185 thousand (US\$105 thousand).

- g. Integrated income tax

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Unappropriated earnings				
Unappropriated earnings generated on and after January 1, 1998	<u>\$ (2,052,583)</u>	<u>\$ (4,199,553)</u>	<u>\$ 475,664</u>	<u>\$ 15,621</u>
Imputation credits accounts	<u>\$ 256,159</u>	<u>\$ 256,159</u>	<u>\$ 251,559</u>	<u>\$ 8,261</u>

The creditable ratio for distribution of earnings of 2013 was 20.48% (expected ratio); for 2012, there was no tax creditable ratio because NSP incurred a deficit.

Under the Income Tax Law, for the distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the NSP is calculated using the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to NSP's shareholders is based on the balance of the imputation credit accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

Based on legal Interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, in the calculation of imputation credits in the year of the first-time adoption of Taiwan IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of Taiwan IFRSs.

- h. Income tax assessments

NSP's income tax returns through 2011 have been assessed by the tax authorities.

28. (LOSS) EARNINGS PER SHARE

Unit: NT\$ Per Share

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Basic (loss) earnings per share	\$ (9.71)	\$ 0.86	\$ 0.0282
Diluted (loss) earnings per share	\$ (9.71)	\$ 0.85	\$ 0.0279

The (loss) income and weighted average number of common shares outstanding (in thousand shares) in the computation of (loss) earnings per share were as follows:

Net (loss) income for the year

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
(Loss) income for the year attributable to shareholders of the parent	\$ (4,182,010)	\$ 502,480	\$ 16,501
Effect of dilutive potential common share:			
Interest on convertible bonds (after tax)	-	2,639	87
(Loss) income used in the computation of diluted (loss) income per share	\$ (4,182,010)	\$ 505,119	\$ 16,588

Weighted average number of common shares outstanding (in thousand shares):

	Years Ended December 31	
	2012	2013
Weighted average number of common shares used in the computation of basic (loss) earnings per share	430,762	581,468
Effect of dilutive potential common shares:		
Convertible bonds	-	4,315
Restricted share options of employee	-	3,419
Employee bonus	-	1,585
Employee share options	-	328
Weighted average number of common shares used in the computation of diluted (loss) earnings per share	430,762	591,115

If NSP decides to settle the bonuses paid to employees by cash or shares, NSP will assume that the entire amount of the bonus be settled in shares; if the effect of the resulting potential shares is dilutive, these shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

29. SHARE-BASED PAYMENT ARRANGEMENTS

Issuance of shares reserved for employees to subscribe

On August 7, 2013, NSP's Board of Directors resolved to issue 130,000 thousand shares of capital share for cash. On September 12, 2013, the plan was approved by the Financial Supervisory Commission (FSC), and the subscription date was October 25, 2013.

A portion of the new shares issued for cash was reserved for NSP's employees to subscribe, and the grant date for the share issuance to employees was on September 27, 2013.

NSP used the Black-Scholes model to determine the fair value of the options related to the aforementioned new shares issued. The valuation assumptions were as follows:

	NT\$	US\$ (Note 6)
Share price on grant date (\$/per share)	\$ 28.80	\$ 0.9458
Exercise price (\$/per share)	\$ 23.90	\$ 0.7849
Expected volatility	44.24%	
Expected life	21 days	
Expected dividend yield	-	
Risk free interest rate	0.87%	

The expected volatility was calculated using the historical rate of return based on NSP's share price.

The compensation cost in 2013 related to the aforementioned reserved shares issued was NT\$64,423 thousand (US\$2,116 thousand).

Employee share option plan

On December 30, 2005 and July 28, 2006, NSP's Board of Directors approved employee share option plans, hereinafter referred to as the "2005 Plan" and "2006 Plan," respectively. On November 22, 2007 the FSC approved another NSP employee share option plan, hereinafter referred to as the "2007 Plan". Reserved for the 2005 Plan, 2006 Plan and 2007 Plan were option units numbering 6,000 thousand, 3,000 thousand and 4,800 thousand, respectively, with each unit representing one share of NSP's common share. The 2005 Plan and the 2006 Plan are valid for 10 years and exercisable at certain percentages from 1 year after the grant date, while the 2007 plan granted is valid for 6 years and exercisable at certain percentages from 2 years after the date of grant. For any subsequent changes in the NSP's common shares, the exercise price and the number of options are adjusted accordingly.

Other information on the share option plan is as follows:

	2007 Plan			2006 Plan			2005 Plan		
	Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)	
		NT\$	US\$ (Note 6)		NT\$	US\$ (Note 6)		NT\$	US\$ (Note 6)
For year ended December 31, 2012									
Beginning balance	963	\$18.07	\$0.5934	137	\$10.00	\$0.3284	175	\$10.00	\$0.3284
Options exercised	(385)	18.07	0.5934	(37)	10.00	0.3284	-	-	-
Options canceled	(7)	18.07	0.5934	-	-	-	-	-	-
Ending balance	571	16.84	0.5934	100	10.00	0.3284	175	10.00	0.3284
Options exercisable, end of year	571	16.84	0.5934	100	10.00	0.3284	175	10.00	0.3284

(Continued)

	2007 Plan			2006 Plan			2005 Plan		
	Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)	
		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)
For year ended December 31, 2013									
Beginning balance	571	\$16.84	\$0.5530	100	\$10.00	\$0.3284	175	\$10.00	\$0.3284
Options exercised	(460)	16.84	0.5530	-	-	-	-	-	-
Options canceled	(111)	16.84	0.5530	-	-	-	-	-	-
Ending balance	<u> </u>	-	-	<u>100</u>	10.00	0.3284	<u>175</u>	10.00	0.3284
Options exercisable, end of year	<u> </u>	-	-	<u>100</u>	10.00	0.3284	<u>175</u>	10.00	0.3284

(Concluded)

At the end of the reporting period, the information about the outstanding share options is as follows:

January 1, 2012		December 31, 2012		December 31, 2013		
Exercise Price (\$/Per Share)	Weighted Average Remaining Contractual Life (In Years)	Exercise Price (\$/Per Share)	Weighted Average Remaining Contractual Life (In Years)	Exercise Price (\$/Per Share)		Weighted Average Remaining Contractual Life (In Years)
NTS		NTS		NTS	US\$ (Note 6)	
\$ 10.00	4.00	\$ 10.00	3.00	\$ 10.00	\$ 0.3284	2.00
10.00	4.58	10.00	3.58	10.00	0.3284	2.58
18.07	1.99	16.84	0.99	16.84	0.5530	-

NSP replaced DelSolar's employee share options (the "replaced ESOs") because of a business combination with DelSolar on May 31, 2013. Qualified employees of DelSolar were granted options in 2007 to 2010. The options granted are exercisable at certain percentages after the second anniversary year from the grant date. The options of Plan 2 granted in 2007 are valid for six years and the options of Plan 3 granted in 2007 to Plan 7 granted in 2010 are valid for seven years.

Other information on the replaced ESOs is as follows:

Employee Share Option Plan	Number of Issued Share Option Rights (In Thousands)	Number of Outstanding Share Option Rights on the Acquisition Date (In Thousands)	Number of Share Option Rights Adjusted for Conversion Percentage on the Acquisition Date (In Thousands)	Number of Outstanding Share Option Rights (In Thousands)	Weighted Average Exercise Price (\$/Per Shares)	
					NTS	US\$ (Note 6)
Plan 2 in 2007	1,500	78	57	-	\$ 38.50	\$ 1.2644
Plan 3 in 2007	4,000	832	611	595	108.44	3.5612
Plan 4 in 2009	2,000	498	366	360	53.06	1.7425
Plan 5 in 2009	1,470	296	218	215	57.55	1.8900
Plan 6 in 2010	730	284	209	201	68.44	2.2476
Plan 7 in 2010	2,100	1,080	794	603	83.95	2.7570

Other information on the share options is as follows:

	Plan 2 in 2007			Plan 3 in 2007			Plan 4 in 2009		
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Weighted Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Weighted Average Exercise Price (\$/Per Share)	
		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)
For the year ended December 31, 2013									
Beginning balance	57	\$ 38.50	\$ 1.2644	611	\$ 108.44	\$ 3.5612	366	\$ 53.06	\$ 1.7425
Options canceled	-	-	-	(16)	108.44	3.5612	(6)	53.06	1.7425
Options expired	(57)	38.50	1.2644	-	-	-	-	-	-
Ending balance	<u> </u>	-	-	<u>595</u>	108.44	3.5612	<u>360</u>	53.06	1.7425
Options exercisable, end of year	<u> </u>	-	-	<u>595</u>	108.44	3.5612	<u>270</u>	53.06	1.7425

	Plan 5 in 2009			Plan 6 in 2010			Plan 7 in 2010		
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Weighted Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Weighted Average Exercise Price (\$/Per Share)	
		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)
For the year ended December 31, 2013									
Beginning balance	218	\$ 57.55	\$ 1.8900	209	\$ 68.44	\$ 2.2476	794	\$ 83.95	\$ 2.7570
Options canceled	(3)	57.55	1.8900	(8)	68.44	2.2476	(191)	83.95	2.7570
Ending balance	<u>215</u>	57.55	1.8900	<u>201</u>	68.44	2.2476	<u>603</u>	83.95	2.7570
Options exercisable, end of year	<u>161</u>	57.55	1.8900	<u>101</u>	68.44	2.2476	<u>301</u>	83.95	2.7570

As of December 31, 2013, the information on the replaced ESOs was as follows:

December 31, 2013		
Exercise Price (\$/Per Share)		Weighted Average Remaining Contractual Life (In Years)
NTS	US\$ (Note 6)	
\$ 108.44	\$ 3.5612	0.88
53.06	1.7425	2.62
57.55	1.8900	2.82
68.44	2.2476	3.31
83.95	2.7570	3.80

NSP adjusted the number of outstanding share option rights on the replaced ESOs on the basis of the share exchange ratio on the acquisition date. NSP applied the requirement under IFRS 2 “Share-based Payment” in recalculating the compensation cost, which was recognized at NT\$578 thousand (US\$19 thousand) for 2013.

All outstanding vested share options on the replaced ESOs were measured using the market-based method at the acquisition date. Options were priced using the Black-Scholes model. The inputs to the model were as follows:

	Plan 2 in 2007		Plan 3 in 2007	
	NTS	US\$ (Note 6)	NTS	US\$ (Note 6)
Acquisition date share price (\$/per share)	\$ 25.60	\$ 0.8407	\$ 25.60	\$ 0.8407
Exercise price (\$/per share)	38.50	1.2644	108.44	3.5612
Expected volatility	39.7%		49.6%	
Option life	0.29 years		1.47 years	
Dividend yield	-		-	
Risk-free interest rate	0.6%		1.0%	

	Plan 4 in 2009		Plan 5 in 2009	
	NTS	US\$ (Note 6)	NTS	US\$ (Note 6)
Acquisition date share price (\$/per share)	\$ 25.60	\$ 0.8407	\$ 25.60	\$ 0.8407
Exercise price (\$/per share)	53.06	1.7425	57.55	1.8900
Expected volatility	48.4%		48.9%	
Option life	3.20 years		3.41 years	
Dividend yield	-		-	

Risk-free interest rate	0.9%	0.9%

	Plan 6 in 2010		Plan 7 in 2010	
	NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
Acquisition date share price (\$/per share)	\$ 25.60	\$ 0.8407	\$ 25.60	\$ 0.8407
Exercise price (\$/per share)	68.44	2.2476	83.95	2.7570
Expected volatility	49.7%		49.7%	
Option life	3.89 years		3.64 years	
Dividend yield	-		-	
Risk-free interest rate	0.9%		0.8%	

Restricted share plan for employees

As authorized by NSP's shareholders in their meeting on June 19, 2012, and subsequently approved by NSP's Board of Directors in their meeting on August 20, 2012, NSP planned to offer the first restricted share plan for employee amounting to NT\$32,430 thousand, consisting of 3,243 thousand shares at a par value of NT\$10 per share without consideration to be paid by the employees. The shares, which were granted on September 3, 2012 and issued on October 15, 2012, had a fair value of NT\$16.2 per share.

On August 7, 2013 NSP's Board of Directors approved the second restricted share plan amounting to NT\$35,515 thousand (US\$1,166 thousand), consisting of 3,552 thousand shares at a par value of NT\$10 (US\$0.3284) without consideration to be paid by the employee, which were granted on August 14, 2013 and issued on August 28, 2013. On the grant day, 3,531 thousand shares amounting to NT\$35,305 thousand (US\$1,159 thousand) were issued, and fair value was NT\$22.95 per share (US\$0.7537 per share).

To meet the vesting conditions, an employee has to meet performance conditions over the vesting period, as follows:

- Still on service one year after the grant date and a high rating based on the current year's performance appraisal - vesting of 50% of restricted shares;
- Still on service two years after the grant date and a high rating based on the prior year's performance appraisal - vesting of 50% of restricted shares.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- In addition to those disclosed in the restricted share plan, the employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.
- On behalf of employees, NSP signed a trust contract on the restricted shares with a trust institution; thus, based on this contract, the rights of attendance, proposal, speech and voting have all been entrusted to the trust institution.

NSP recognized compensation costs of NT\$10,504 thousand for 2012 and NT\$52,470 thousand (US\$1,723 thousand) for 2013.

In 2013, movements of restricted share for employees were as follows:

	Shares (Thousand)
Beginning balance	2,880
Increase (Note)	5,347
Canceled	<u>(1,282)</u>
Ending balance	<u><u>6,945</u></u>

Note: The issuance of restricted share for employees was due to a business combination with DelSolar on May 31, 2013. The original issuance number of restricted shares for employees was increased to 1,816 thousand shares to reflect NSP's share issuance, which was calculated on the basis of share exchange ratio on the acquisition date. The grant-date share price was NT\$25.6 (US\$0.8407), with a total share amount of NT\$46,494 thousand (US\$1,527 thousand).

To meet the vesting conditions, an employee has to meet performance conditions over the vesting period, as follows:

- a. Still on service one year after the grant date and a high rating based on the current year's performance appraisal - vesting of 50% of restricted shares;
- b. Still on service two years after the grant date and a high rating based on the prior year's performance appraisal - vesting of 50% of restricted shares.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- a. In addition to those disclosed in the restricted share plan, the employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.
- b. On behalf of employees, NSP signed a trust contract on the restricted shares with a trust institution; thus, based on this contract, the rights of attendance, proposal, speech and voting have all been entrusted to the trust institution.

If an employee fails to meet the vesting conditions, NSP will buy back the restricted shares at the offering price and have them canceled but not the share and cash dividends during the period of noncompliance with vesting conditions.

On March 18, 2014, NSP's Board of Directors approved another restricted share plan amounting to NT\$40,000 thousand (US\$1,314 thousand), consisting of 4,000 thousand shares with a par value of NT\$10 (US\$0.3284). Such plan may require consideration to be paid by employees at NT \$10 (US\$0.3284) or NT\$0 per share.

30. BUSINESS COMBINATION

a. Subsidiary acquired

	Principal Activity	Date of Acquisition	Percentage of Voting Equity Interests Acquired (%)	Consideration Transferred	
				NT\$	US\$ (Note 6)
DelSolar	Solar-related business	May 31, 2013	100	<u>\$ 4,606,253</u>	<u>\$ 151,273</u>

DelSolar was acquired to effectively integrate the Corporation's overall resources, expand operating scale, and enhance operating performance and boost competitiveness. The Corporation acquired DelSolar in stages; please refer to Note 24.

b. Considerations transferred

	NT\$	US\$ (Note 6)
Equity instruments issued (Note 24)		
Issuance of common share	\$ 3,805,835	\$ 124,986
Issuance of employee share options	2,438	80
Issuance of restricted share for employees	<u>14,344</u>	<u>471</u>
	<u>\$ 3,822,617</u>	<u>\$ 125,537</u>

c. Assets acquired and liabilities assumed at the date of acquisition (at fair value)

	NT\$	US\$ (Note 6)
Current assets	\$ 4,481,589	\$ 147,179
Property, plant and equipment	6,317,955	207,486
Intangible assets	108,800	3,573
Other assets	307,543	10,100
Current liabilities	(5,511,288)	(180,995)
Noncurrent liabilities	(1,426,667)	(46,853)
Other liabilities	<u>(184,119)</u>	<u>(6,046)</u>
	<u>\$ 4,093,813</u>	<u>\$ 134,444</u>

The tax bases of DelSolar's assets were required to be reset on the basis of market values of the assets. The initial accounting for the acquisition of DelSolar had been completed as of the balance sheet date and the figures have been restated as if the initial accounting was completed on the acquisition date.

The receivables (mainly accounts receivables) of DelSolar and its subsidiaries acquired in these transactions had a fair value of NT\$921,878 thousand (US\$30,275 thousand) and gross contractual amounts of NT\$942,258 thousand (US\$30,944 thousand) as of the acquisition date. The best estimate of the contractual cash flows not expected to be collected as at the acquisition date was NT\$20,380 thousand (US\$669 thousand).

d. Goodwill arising on acquisition

	Total	
	NT\$	US\$ (Note 6)
Consideration transferred	\$ 3,822,617	\$ 125,537
Fair value of the acquirer's previously held equity interest	783,636	25,736
Less: Fair value of identifiable net assets acquired	<u>(4,093,813)</u>	<u>(134,444)</u>
Goodwill arising on acquisition	<u>\$ 512,440</u>	<u>\$ 16,829</u>

Goodwill arose in the acquisition of DelSolar because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of DelSolar. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow (inflow) on the acquisition of a subsidiary

	For the Year Ended December 31, 2013	
	NT\$	US\$ (Note 6)
Consideration paid in cash during the period	\$ -	\$ -
Less: Cash balances acquired	<u>(1,301,754)</u>	<u>(42,751)</u>
	<u>\$ (1,301,754)</u>	<u>\$ (42,751)</u>

f. Impact of acquisition on the results of the Corporation

The following results of the acquiree since the acquisition date were included in the consolidated statements of comprehensive income:

	For the Year Ended December 31, 2013	
	NT\$	US\$ (Note 6)
Revenue		
DelSolar and its subsidiaries	<u>\$ 5,589,705</u>	<u>\$ 183,570</u>
Profit		
DelSolar and its subsidiaries	<u>\$ 280,541</u>	<u>\$ 9,213</u>

Had this business combination been in effect at the beginning of the annual reporting period, the Corporation's revenue would have been NT\$22,478,904 thousand (US\$738,223 thousand), and the loss would have been NT\$143,241 thousand (US\$4,704 thousand), for 2013. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that would actually have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

In determining the Corporation's pro forma revenue and profit had DelSolar and its subsidiaries been acquired at the beginning of the current reporting period, management:

- 1) Calculated the depreciation of plant and equipment acquired on the basis of the fair values arising from the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- 2) Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Corporation after the business combination.

31. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

On February 3, 2012, General Energy Solutions' (GES) Board of Directors proposed an increase in its capital by issuing 22,000 thousand common shares at a par value of NT\$10 per share, and the subscription date was March 20, 2012. NSP acquired GES's 9,900 thousand shares for NT\$99,000 thousand. NSP's equity interests in GES decreased from 86.96% to 65.17% because NSP's subscription GES's newly issued shares was at a lower than its earlier percentage of ownership of GES. On May 4, 2012, GES's board proposed a second capital increase by issuing common shares at a par value of NT\$10; the issuance price for 13,334 thousand shares was NT\$15 per share, and the subscription date was May 30, 2012. NSP acquired 6,586 thousand GES shares for NT\$98,788 thousand. NSP's equity interests in GES decreased from 65.17% to 61.39% because NSP's subscription for GES's shares was at a percentage lower than its earlier percentage of ownership of GES. NSP's equity interests in GES later increased from 61.39% to 61.44% because NSP's subscription for GES's shares was at a percentage higher than its earlier percentage of ownership in GES and because of GES's buyback of shares from resigned employees. As of December 31, 2012, NSP's capital surplus had increased by a total of NT\$40,360 thousand because of recorded changes in its equity in the investee's net assets.

On August 31, 2012, GES's board proposed an increase in its capital by issuing common shares at a par value of NT\$10 and issuance price of NT\$15 per share at a premium. The issuance of between 25,000 thousand shares and 40,000 thousand shares was expected to raise NT\$375,000 thousand to NT\$600,000 thousand, and the issuance of between 80,334 thousand shares to 95,334 thousand shares was expected to raise NT\$803,335 thousand to NT\$953,335 thousand. On February 5, 2013, GES's board proposed the completion of the issuance of common share by the end of April 2013 in line with potential investors' investment preference and in light of GES's meeting of its fund-raising schedule. On March 8, 2013, GES issued 30,000 thousand shares for cash and registered on April 2, 2013 its capital share increase to NT\$853,335 thousand (US\$28,024 thousand). NSP acquired 22,743 thousand GES shares for NT\$341,144 thousand (US\$11,203 thousand). In December 2013, GES's board proposed a second increase in its capital by issuing 23,200 thousand common shares at a par value of NT\$10 (US\$0.3284) and issuance price of NT\$15 per share (US\$0.4926 per share) at a premium; the subscription date was December 6, 2013. NSP acquired 21,898 thousand GES shares for NT\$328,464 thousand (US\$10,787 thousand). NSP's equity interests in GES were increased from 66.69% to 72.61% because NSP's subscription subscribes for GES's shares was at a percentage higher than its earlier percentage of ownership in GES and because of GES's buyback of shares from resigned employees. As of December 31, 2013, GES's capital surplus decreased by a total of NT\$41,256 thousand (US\$1,355 thousand) because of recorded changes in its equity in the investee's net assets.

The above transactions were accounted for as equity transactions since the Corporation did not cease to have control over the subsidiary.

General Energy Solutions			
For the Years Ended December 31			
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Cash consideration received	\$ 221,300	\$ 126,155	\$ 4,143
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	<u>(180,940)</u>	<u>(167,411)</u>	<u>(5,498)</u>
Differences arising from equity transaction	<u>\$ 40,360</u>	<u>\$ (41,256)</u>	<u>\$ (1,355)</u>
<u>Line items adjusted for equity transaction</u>			
Capital surplus - difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	\$ 40,360	\$ (40,360)	\$ (1,326)
Unappropriated earnings	<u>-</u>	<u>(896)</u>	<u>(29)</u>
	<u>\$ 40,360</u>	<u>\$ (41,256)</u>	<u>\$ (1,355)</u>

32. OPERATING LEASE ARRANGEMENTS

The Corporation as lessee

NSP leased certain plant from Zinwell Company. To integrate its internal resources more effectively, NSP initiated a plant relocation plan in the fourth quarter of 2012. In September 2012, NSP informed the lessor of the early termination of the lease. In April 2013, both parties agreed that the official termination of the lease agreement was on December 31, 2012.

The Corporation also leases lands, module plants and offices from the Science-Based Industrial Park Administration and Mustek Systems, Inc. under renewable agreements expiring in December 2026, December 2028 and June 2014, respectively, with annual rentals of NT\$17,147 thousand (US\$563 thousand), NT\$5,544 thousand (US\$182 thousand) and NT\$4,699 thousand (US\$154 thousand), respectively.

DelSolar (Wu Jiang) and GES leased plants and dormitories from Delta Electronics (Jiangsu) Ltd. and Hsin Lung Accessories Co., Ltd. under renewable agreements expiring in December 2014 and December 2019, with annual rentals of NT\$36,428 thousand (US\$1,196 thousand) and NT\$6,798 thousand (US\$223 thousand), respectively.

Yong Tang and Yong Liang had signed 20-year operating lease contracts with unrelated third parties on the use of property such as agricultural and livestock farms for the installation of power plants; these contracts are renewable and will expire in August 2034, with annual rentals of NT\$4,834 thousand (US\$159 thousand).

As of January 1, 2012, December 31, 2012 and December 31, 2013, refundable deposits paid under operating leases were NT\$3,540 thousand, NT\$3,540 thousand and NT\$3,344 thousand (US\$110 thousand), respectively.

The future minimum lease payments for operating lease commitments were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Up to 1 year	\$ 35,345	\$ 23,945	\$ 83,254	\$ 2,734
Over 1 year and up to 5 years	158,155	121,375	195,949	6,435
Over 5 years	<u>169,036</u>	<u>144,821</u>	<u>414,940</u>	<u>13,627</u>
	<u>\$ 362,536</u>	<u>\$ 290,141</u>	<u>\$ 694,143</u>	<u>\$ 22,796</u>

The lease payments recognized as expenses were as follows:

	Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Minimum lease payment	<u>\$ 34,770</u>	<u>\$ 73,885</u>	<u>\$ 2,426</u>

33. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Key management personnel of the Corporation review the capital structure periodically. For this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. On the basis of the recommendations of the key management personnel on balancing the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, management believes that either the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	January 1, 2012		December 31, 2012		December 31, 2013			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
<u>Financial assets</u>								
Finance lease receivables (including current and noncurrent portion)	\$ -	\$ -	\$ -	\$ -	\$1,708,917	\$ 56,122	\$1,711,817	\$ 56,217
<u>Financial liabilities</u>								
Financial liabilities measured at amortized cost								
Bonds payable	-	-	-	-	549,004	18,030	549,373	18,042

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured after the initial recognition at fair value and grouped into Levels 1 to 3 on the basis of the degree at which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c) Level 3 fair value measurements are those derived through valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

January 1, 2012

	<u>Level 1</u> <u>NT\$</u>	<u>Level 2</u> <u>NT\$</u>	<u>Level 3</u> <u>NT\$</u>	<u>Total</u> <u>NT\$</u>
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	\$ -	\$ 1,017	\$ -	\$ 1,017

December 31, 2012

	<u>Level 1</u> <u>NT\$</u>	<u>Level 2</u> <u>NT\$</u>	<u>Level 3</u> <u>NT\$</u>	<u>Total</u> <u>NT\$</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 555,399	\$ 221,130	\$ -	\$ 776,529
Financial liabilities at fair value through profit or loss				
Interest swap contracts	\$ -	\$ 139	\$ -	\$ 139

December 31, 2013

	<u>Level 1</u> <u>NT\$</u>	<u>Level 2</u> <u>NT\$</u>	<u>Level 3</u> <u>NT\$</u>	<u>Total</u> <u>NT\$</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 29,200	\$ 193,550	\$ -	\$ 222,750
Financial assets at fair value through profit or loss				
Interest swap contracts	\$ -	\$ 22	\$ -	\$ 22
Financial liabilities at fair value through profit or loss				
Interest swap contracts	\$ -	\$ 700	\$ -	\$ 700

	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
	(Note 6)	(Note 6)	(Note 6)	(Note 6)
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 959	\$ 6,356	\$ -	\$ 7,315
Financial assets at fair value				
through profit or loss				
Interest swap contracts	\$ -	\$ 1	\$ -	\$ 1
Financial liabilities at fair value				
through profit or loss				
Interest swap contracts	\$ -	\$ 23	\$ -	\$ 23

There were no transfers between Level 1 and 2 in the current and prior periods.

The equity investment in TTMC, whose shares have been traded on the Taiwan GreTai Securities Market since November 2012, were revalued on the date they became publicly marketable securities and reclassified to available-for-sale financial assets - noncurrent.

3) Valuation techniques and assumptions applied in measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- a) The fair values of financial instruments (including listed shares) with standard terms and conditions and traded in active markets are determined by referring to quoted market prices. The Corporation's investments in available-for-sale financial assets, which included private-placement shares, have quoted prices in an active market but cannot be traded during a lock-up period; their fair values were determined using valuation methods which considered the lock-up period, quoted market prices, expected volatility, dividend yield, risk free rate and marketability discount etc.
- b) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, valuation methods are used to determine fair value. The estimates and assumptions used by the Corporation are consistent with those that market participants would use in setting prices for financial instruments.

The Corporation's foreign exchange forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The Corporation's interest swap contracts are measured using forward interest swap rates revealed by bank quotation system and discounted value of cash flows.

The fair value of finance lease receivables was estimated on the basis of interest rate of the sales with buyback agreements with similar terms.

The fair value of the liability component of convertible bonds was estimated on the basis of interest rate of loans with similar terms.

b. Categories of financial instruments

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Financial assets</u>				
Fair value through profit or loss (FVTPL)				
Held for trading	\$ -	\$ -	\$ 22	\$ 1
Loans and receivables (Note 1)	7,115,440	8,274,881	11,159,877	366,498
Available-for-sale financial assets (Note 2)	289,940	799,119	247,198	8,118
<u>Financial liabilities</u>				
Fair value through profit or loss (FVTPL)				
Held for trading	1,017	139	700	23
Measured at amortized cost (Note 3)	7,158,214	9,820,993	13,742,768	451,323

Note 1: The loans and receivables included cash and cash equivalents, accounts receivable and notes receivable, pledged time deposits, restricted deposits, other receivables, etc. and were carried at amortized cost.

Note 2: The amounts included available-for-sale financial assets carried at cost.

Note 3: The financial liabilities included short-term loans, accounts payable and notes payable, other payable, long-term loans and bonds payable, etc. and were carried at amortized cost.

c. Financial risk management objectives and policies

The Corporation's major financial instruments included equity, accounts receivable, accounts payable, bonds payable and borrowings. The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports, which are tools for analyzing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge against risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors continually. The Corporation does not enter into financial instrument contracts or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Corporation's Board of Directors and Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of exchange rate changes (see a) below) and interest rates (see b) below). The Corporation used a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risks.

There had been no change in the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency-denominated sales and purchases, which exposed the Corporation to exchange rate risk. The Corporation entered into foreign exchange forward contracts and cross-currency swap contracts, etc. to manage exposures due to exchange rate and interest rate fluctuations. These instruments help to reduce, but do not eliminate, the impact of adverse exchange rate movements.

The Corporation also holds short-term bank loans in foreign currencies in proportion to its expected future cash flows. This allows foreign-currency-denominated bank loans to be serviced with expected future cash flows and provides a partial hedge against transaction translation exposure.

Sensitivity analysis

The Corporation was mainly exposed to US dollar.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currency. The sensitivity analysis included only outstanding foreign currency-denominated monetary items; their translation at the end of the reporting period is adjusted for a 5% change in exchange rates. The sensitivity analysis included cash, accounts receivable, other receivables, short-term bank loans, accounts payable, other payables and long-term bank loans. A positive number below indicates an increase in profit and other equity associated with the New Taiwan dollar's strengthening 5% against a foreign currency. For a 5% weakening of the New Taiwan dollar against a foreign currency, there would be an equal and opposite impact on profit and other equity and the balances below would be negative.

	US Dollar Impact			JPY Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2012	2013		2012	2013	
	NT\$	NT\$	US\$ (Note 6)	NT\$	NT\$	US\$ (Note 6)
Profit or loss	\$ 5,687	\$ 57,081	\$ 1,875	\$ (146)	\$ 2,117	\$ 70

The Corporation's sensitivity to exchange rates rose in the current period mainly because of the increase in assets recorded in US dollars and JPY.

b) Interest rate risk

Long-term and short-term bank loans mainly bear floating interest rates. Thus, the fluctuations of market interest rates will result in changes in the effective interest rates for long-term and short-term bank loans and the fluctuation of future cash flows.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Fair value interest rate risk				
Financial assets	\$ 1,993,980	\$ 1,768,899	\$ 1,383,107	\$ 45,422
Financial liabilities	(465,077)	(2,882,427)	(2,808,218)	(92,224)
Cash flow interest rate risk				
Financial assets	3,499,244	4,056,133	5,338,827	175,331
Financial liabilities	(3,534,789)	(4,535,646)	(6,940,262)	(227,923)

Sensitivity analysis

The sensitivity analysis below was based on the Corporation's exposure to interest rates for both derivative and nonderivative instruments at the end of the reporting period.

Had interest rates been 1% higher and all other variables been held constant, the Corporation's profit for 2012 and 2013 would have decreased by NT\$4,795 thousand and NT\$16,014 thousand (US\$526 thousand), respectively, mainly because of the Corporation's exposure to interest rates on its variable-rate bank borrowings.

The Corporation's sensitivity to interest rates increased during the current period mainly because of the increase in variable-rate debt instruments.

c) Other price risk

The Corporation is exposed to equity price risk on available-for-sale financial assets, which are not held for trading.

Sensitivity analysis

The sensitivity analysis below was based on the exposure to equity price risks at the end of the reporting period.

Had equity prices been 5% lower, profit for 2012 and 2013 would have decreased by NT\$38,826 thousand and NT\$11,138 thousand (US\$366 thousand), respectively, as a result of the changes in fair value of impaired available-for-sale investments.

The Corporation's sensitivity to price decreased in the current period mainly because of the decrease in available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which will cause a financial loss to the Corporation due to failure to discharge an obligation by the counterparties, could arise from the carrying amounts of the financial assets recognized in the consolidated balance sheets.

To minimize credit risk, the Corporation's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each account receivable at the end of the reporting period to ensure that adequate allowances are set aside for irrecoverable amounts. Thus, the Corporation's management considers the Corporation's credit risk as significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Accounts receivable pertained to a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables and, where appropriate, credit guarantee insurance is purchased.

The Corporation did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Corporation's concentrations of credit risk of 19%, 35% and 24% in total accounts receivables as of January 1, 2012, December 31, 2012 and December 31, 2013, respectively, were related to the Corporation's three largest customers.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank loans and ensures compliance with loan covenants. The Corporation relies on bank loans as a significant source of liquidity.

a) Liquidity and interest risk rate tables (nonderivative financial liabilities)

The following table shows the Corporation's remaining contractual maturity for its nonderivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up on the basis of undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows.

Bank loans with a repayment on demand clause were included in the first column of the table below regardless of the probability of the banks choosing to exercise their rights to repayment. The maturity dates for other nonderivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows refer to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

January 1, 2012

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 1,317,435	\$ 838,329	\$ 1,000,620	\$ 2,981
Variable interest rate liabilities	185,278	230,245	908,074	2,294,240
Fixed interest rate liabilities	<u>689</u>	<u>217,497</u>	<u>251,251</u>	<u>-</u>
	<u>\$ 1,503,402</u>	<u>\$ 1,286,071</u>	<u>\$ 2,159,945</u>	<u>\$ 2,297,221</u>

December 31, 2012

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 761,417	\$ 636,054	\$ 979,104	\$ 26,484
Variable interest rate liabilities	5,881	35,368	1,390,074	3,223,883
Fixed interest rate liabilities	<u>310,259</u>	<u>1,973,900</u>	<u>613,364</u>	<u>-</u>
	<u>\$ 1,077,557</u>	<u>\$ 2,645,322</u>	<u>\$ 2,982,542</u>	<u>\$ 3,250,367</u>

December 31, 2013

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 2,041,307	\$ 1,001,357	\$ 862,310	\$ 638,318
Variable interest rate liabilities	18,463	571,515	1,765,525	4,798,286
Fixed interest rate liabilities	<u>1,475,980</u>	<u>787,614</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,535,750</u>	<u>\$ 2,360,486</u>	<u>\$ 2,627,835</u>	<u>\$ 5,436,604</u>

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 67,038	\$ 32,885	\$ 28,319	\$ 20,963
Variable interest rate liabilities	606	18,769	57,981	157,579
Fixed interest rate liabilities	<u>48,472</u>	<u>25,866</u>	<u>-</u>	<u>-</u>
	<u>\$ 116,116</u>	<u>\$ 77,520</u>	<u>\$ 86,300</u>	<u>\$ 178,542</u>

As of January 1, 2012, December 31, 2012 and December 31, 2013, the Corporation believes there was no bank loan on which immediate repayment will be demanded.

The amounts included above for variable interest rate instruments for nonderivative financial assets and liabilities were subject to change if changes in variable interest rates differed from the interest rates estimated at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table shows the Corporation's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

January 1, 2012

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Net settled</u>				
Foreign exchange forward contracts	\$ <u>1,017</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

December 31, 2012

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Net settled</u>				
Interest rate swaps	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>139</u>

December 31, 2013

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Net settled</u>				
Interest rate swaps	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>700</u>
	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	US\$	US\$	US\$	US\$
	(Note 6)	(Note 6)	(Note 6)	(Note 6)

Net settled

Interest rate swaps	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>23</u>

c) Financing facilities

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Secured long-term bank loan facilities (installment credit):				
Amount used	\$ 3,268,900	\$ 5,107,348	\$ 5,717,698	\$ 187,773
Amount unused	<u>3,350,000</u>	<u>257,552</u>	<u>158,502</u>	<u>5,205</u>
	<u>\$ 6,618,900</u>	<u>\$ 5,364,900</u>	<u>\$ 5,876,200</u>	<u>\$ 192,978</u>
Unsecured long-term bank loan facilities (revolving credit):				
Amount used	\$ -	\$ -	\$ 3,494,448	\$ 114,760
Amount unused	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,494,448</u>	<u>\$ 114,760</u>
Secured short-term bank loan facilities which may be extended by mutual agreement:				
Amount used	\$ 3,890,483	\$ 3,785,442	\$ 1,373,096	\$ 45,093
Amount unused	<u>7,907,900</u>	<u>4,318,157</u>	<u>19,904</u>	<u>654</u>
	<u>\$11,798,383</u>	<u>\$ 8,103,599</u>	<u>\$ 1,393,000</u>	<u>\$ 45,747</u>
Unsecured short-term bank loan facilities (revolving credit):				
Amount used	\$ -	\$ -	\$ 3,886,925	\$ 127,649
Amount unused	<u>-</u>	<u>-</u>	<u>7,504,753</u>	<u>246,462</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,391,678</u>	<u>\$ 374,111</u>
Unsecured short-term bank loan facilities (installment credit):				
Amount used	\$ -	\$ -	\$ 101,670	\$ 3,339
Amount unused	<u>-</u>	<u>-</u>	<u>18,130</u>	<u>595</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,800</u>	<u>\$ 3,934</u>

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between NSP and its subsidiaries had been eliminated on consolidation and are not disclosed in this note. In addition to those disclosed in other notes, transactions between the Corporation and its related parties are disclosed below.

a. Trading transactions

Sale of goods			
For the Years Ended December 31			
	2012	2013	
	NT\$	NT\$	US\$
			(Note 6)
Related parties in substance	\$ 10,257	\$ 940	\$ 31
Investors with significant influence on certain group entities	-	42	1
Other related parties (Note)	<u>-</u>	<u>2,028,654</u>	<u>66,622</u>
	<u>\$ 10,257</u>	<u>\$ 2,029,636</u>	<u>\$ 66,654</u>
Other Income			
For the Years Ended December 31			
	2012	2013	
	NT\$	NT\$	US\$
			(Note 6)
Related parties in substance	\$ -	\$ 61	\$ 2
Investors with significant influence on certain group entities	<u>-</u>	<u>17</u>	<u>1</u>
	<u>\$ -</u>	<u>\$ 78</u>	<u>\$ 3</u>
Purchase of goods			
For the Years Ended December 31			
	2012	2013	
	NT\$	NT\$	US\$
			(Note 6)
Related parties in substance	<u>\$ 21,631</u>	<u>\$ 87,968</u>	<u>\$ 2,889</u>
Other Expenses			
For the Years Ended December 31			
	2012	2013	
	NT\$	NT\$	US\$
			(Note 6)
Related parties in substance	\$ 3,938	\$ 3,596	\$ 118
Investors with significant influence on certain group entities	-	802	26
Other related parties (Note)	<u>-</u>	<u>5,330</u>	<u>175</u>
	<u>\$ 3,938</u>	<u>\$ 9,728</u>	<u>\$ 319</u>
Rental Expense			
For the Years Ended December 31			
	2012	2013	
	NT\$	NT\$	US\$
			(Note 6)
Other related parties (Note)	<u>\$ -</u>	<u>\$ 24,447</u>	<u>\$ 803</u>

	Utilities		
	For the Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Other related parties (Note)	\$ -	\$ 71,219	\$ 2,339

Purchases and sales of goods between the Corporation and related parties were made at normal commercial prices and terms.

The Corporation rents plants from other related parties under rental terms not different from similar transactions in the market.

- b. The following accounts receivables from related parties were outstanding at the end of the reporting period:

	Accounts Receivable			
	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$
				(Note 6)
Other related parties (Note)	\$ -	\$ -	\$ 264,427	\$ 8,684

	Prepaid Legal and Other Expenses			
	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$
				(Note 6)
Key management personnel	\$ -	\$ 30,200	\$ -	\$ -

- c. The following trade payables from related parties were outstanding at the end of the reporting period:

	Accounts Payable			
	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$
				(Note 6)
Related parties in substance	\$ -	\$ 22,819	\$ 8,723	\$ 286
Other related parties (Note)	-	-	62	3
	\$ -	\$ 22,819	\$ 8,785	\$ 289

Receipts in Advance				
	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Key management personnel	\$ -	\$ 798	\$ -	\$ -
Other related parties (Note)	-	-	12	0.39
	<u>\$ -</u>	<u>\$ 798</u>	<u>\$ 12</u>	<u>\$ 0.39</u>
Payables to Contractors and Equipment Suppliers				
	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Investors with significant influence on certain group entities	\$ -	\$ -	\$ 52,681	\$ 1,730
Other Accrued Expenses				
	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ 1,118	\$ 1,381	\$ 503	\$ 17
Investors with significant influence on certain group entities	-	-	498	16
Other related parties (Note)	-	-	58,114	1,909
	<u>\$ 1,118</u>	<u>\$ 1,381</u>	<u>\$ 59,115</u>	<u>\$ 1,942</u>
Guarantee Deposits				
	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ 2	\$ 2	\$ 2	\$ 0.07

Note: Other related parties were entities of the investor who has significant influence over NSP.

The outstanding receivables from related parties were unsecured. No guarantees had been given or received for payables to related parties, and these payables would be settled in cash. No receivables had been impaired; no impairment allowance for these receivables was recognized.

d. Other transactions

	Acquisition of Property, Plant and Equipment		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Investors with significant influence on certain group entities	\$ -	\$ 50,486	\$ 1,658

e. Compensation of key management personnel

The compensation of directors and other members of key management personnel for 2012 and 2013 were as follows:

	For the Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Short-term benefits	\$ 56,671	\$ 82,406	\$ 2,706
Share-based payments	2,681	19,767	649
Post-employment benefits	<u>1,172</u>	<u>1,156</u>	<u>38</u>
	<u>\$ 60,524</u>	<u>\$ 103,329</u>	<u>\$ 3,393</u>

The compensation of directors and other key management personnel was determined by the Compensation Committee on the basis of individual performance and market trends.

36. PLEDGED OR MORTGAGED ASSETS

The following assets had been pledged or mortgaged as collaterals for long-term and short-term bank loans, bonds payable and deposit for government:

	January 1, 2012	December 31, 2012	December 31, 2013	
	NT\$	NT\$	NT\$	US\$
				(Note 6)
Pledged time deposits (classified as other current assets)	\$ 10,215	\$ 8,728	\$ 10,625	\$ 349
Restricted assets (classified as other current assets)	-	-	368,359	12,097
Property, plant and equipment	5,313,437	3,640,427	5,534,373	181,753
Finance lease receivables (including current and noncurrent portions)	<u>-</u>	<u>-</u>	<u>617,545</u>	<u>20,281</u>
	<u>\$ 5,323,652</u>	<u>\$ 3,649,155</u>	<u>\$ 6,530,902</u>	<u>\$ 214,480</u>

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation were as follows:

a. Significant commitments

1) Long-term purchase contracts:

- a) In December 2006, March 2007 and September 2008, NSP entered into long-term materials supply agreements with Company J. Under the agreements, NSP should make the nonrefundable payments from January 1, 2006 to December 31, 2018. In return, Company J should provide an agreed-upon quantity of raw materials.

On July 19, 2013, Company J claimed in a letter that NSP made insufficient purchases, contrary to the contract signed in December 2006; thus, NSP's prepayment of US\$557 thousand as of December 31, 2011 will be forfeited. Both parties reached an agreement in August 2013 to adjust the purchase quantity monthly and make deductions from the prepayment accordingly.

In January 2011, NSP entered into a long-term materials supply agreement with Company J. Under the agreement, NSP should make payments from January 1, 2011 to December 31, 2015. In return, Company J should provide an agreed-upon quantity of raw materials. The prepayment is refundable even if the agreed-upon quantity is not bought.

As of December 31, 2013, amounts of US\$12,977 thousand (NT\$420,234 thousand) and NT\$127,658 thousand (US\$4,192 thousand) were recorded under prepayment. Earlier, in November 2009, NSP renegotiated the purchase price with Company J. Both parties agreed to adjust the purchase quantity and price monthly from December 2009.

- b) In June 2007, NSP entered into a long-term materials supply agreement with Company I. Under the agreement, NSP should make the nonrefundable payments from January 1, 2010 to December 31, 2017. In return, Company I should provide an agreed-upon quantity of raw materials. The purchase price would be adjusted yearly in a manner agreed upon by both parties. However, because of market changes, NSP failed to buy the agreed-upon quantity. On June 29, 2012, Company I sent a letter, claiming its right on the contracted purchase. In December 2012, NSP made a business proposal to Company I. In January 2013, both parties entered into an agreement to amend the original supply agreement. If the amended agreement is breached, the original supply agreement would apply. NSP accrued a potential loss in 2012 and resumed purchases in the first quarter of 2013.
- c) In August 2007 and January 2008, NSP entered into long-term materials supply agreements with Company G. Under the agreements, NSP should make payments from January 1, 2009 to December 31, 2018. In return, Company G should provide an agreed-upon quantity of raw materials. As of December 31, 2013, an amount of US\$8,797 thousand (NT\$291,269 thousand) was recorded under prepayment. In May 2009, NSP and Company G revised the agreements. Under the new agreements, Company G should provide an agreed-upon quantity of raw materials from 2009 to December 31, 2018. Within this period, deductions could be made from the prepayments, and the purchase price would be adjusted on the basis of market price. The last agreement revision by NSP and Company G was in September 2013. The purchase price would be adjusted monthly in accordance with the pricing mechanism agreed upon by both parties. On February 24, 2014, Company G's parent company which listed overseas announced it would undergo a financial restructuring. Although Company G indicated the financial restructuring would not affect its operation and the creditors' rights, NSP accrued a potential loss in 2013 considering prepayment might not be collected.

- d) In February 2008, DelSolar entered into a long-term materials supply agreement with Company AH. Under the agreement, DelSolar should make payments from January 2009 to December 31, 2015. In return, Company AH should provide an agreed-upon quantity of raw materials. In April 2013, Company AH stopped supplying materials because of financial difficulties, and both parties entered into negotiations. On May 31, 2013, NSP merged with DelSolar, with NSP as the survivor entity. Considering prepayments might not be collected, NSP had accrued a potential loss for 2013, and will make necessary adjustments according to the final agreement.
- e) In March 2008 and August 2008, NSP entered into long-term materials supply agreements with Company BM. Under the agreements, NSP should make payments from January 1, 2008 to December 31, 2016. In return, Company BM should provide an agreed-upon quantity of raw materials. As of December 31, 2013, an amount of US\$3,933 thousand (NT\$125,035 thousand) was recorded under prepayment. Earlier, in June 2013, NSP renegotiated the agreement with Company BM. Both parties agreed to adjust the purchase price and refund amount of prepayment in accordance with market prices.
- f) In October 2008, NSP entered into a long-term materials supply agreement with Company K. Under the agreement, NSP should make payments from January 2009 to December 31, 2016. In return, Company K should provide an agreed-upon quantity of raw materials. In December 2010, NSP renegotiated the agreement with Company K. Both parties agreed that Company K would provide NSP with an agreed-upon quantity of raw materials at its purchase price plus a markup of a certain percentage from January 2011 to December 31, 2016. As of December 31, 2013, an amount of US\$16,592 thousand (NT\$499,088 thousand) was recorded under prepayment.
- g) In May, August and October of 2010, NSP entered into long-term materials supply agreements with Company Y. Under the agreements, Company Y should provide an agreed-upon quantity of raw materials from October 2010 to December 31, 2015. NSP should make payments during this period. As of December 31, 2013, an amount of US\$1,670 thousand (NT\$53,321 thousand) was recorded under prepayment. Earlier, both parties agreed to adjust the purchase price monthly from October 2010 in accordance with a price adjustment mode agreed upon by both parties. Under the agreement, if NSP fails to complete the purchase of the required quantity or delays its payments, Company Y is entitled to request compensation.
- h) In June 2010 and July 2010, NSP entered into long-term materials supply agreements with Company V. Under the agreements, Company V should provide an agreed-upon quantity of raw materials from July 2010 to December 31, 2013 and from October 2010 to December 31, 2013, respectively. Both parties later agreed to adjust the purchase price and quantity quarterly since 2011. Under the agreement, if NSP failed to make purchases at the quantities agreed upon, Company V was entitled to terminate the agreements and request compensation. The agreements had expired as of December 31, 2013.
- i) In September 2010, NSP entered into a long-term materials supply agreement with Company W. Under the agreement, Company W should provide an agreed-upon quantity of raw materials from January 2011 to December 31, 2013. Based on the agreement, the purchase price would be adjusted monthly. This agreement had expired as of December 31, 2013.
- j) In November 2010, NSP entered into a long-term materials supply agreement with Company X. Under the agreement, NSP should make payments from January 2011 to December 31, 2017. In return, Company X should provide an agreed-upon quantity of raw materials. As of December 31, 2013, an amount of US\$3,918 thousand (NT\$115,867 thousand) was recorded under prepayment. Earlier, both parties agreed to adjust the purchase price monthly since 2012. However, in three months ended March 31, 2012, both parties failed to reach an agreement on purchase price and quantity. Under the agreement, NSP was entitled to end the contract unconditionally, and Company X should return the remaining balance of prepayment. Both parties agreed to deduct the remaining prepayment before March 31, 2013. Because

Company X announced it would undertake financial restructuring, NSP considered the remaining prepayments might not be collected due to Company X's going concern; thus, NSP accrued potential losses for 2012 and 2013.

- k) In March 2011, NSP entered into a long-term materials supply agreement with Company AD. Under the agreement, Company AD should provide an agreed-upon quantity of raw materials. Based on the agreement, the purchase price will be adjusted quarterly. In return, NSP should make the payment from January 2012 to December 31, 2018. As of December 31, 2013, an amount of US\$8,997 thousand (NT\$262,698 thousand) was recorded under prepayment. Under the agreement, if NSP delays the payments, Company AD is entitled to request an interest on the delayed payment at a rate already agreed on by both parties.
- l) In May 2013, NSP entered into a long-term materials supply agreement with Company BN. Under the agreement, Company BN should provide an agreed-upon quantity of raw materials from June 2013 to June 30, 2015, which the purchase amount is being adjusted in accordance with market prices. In May 2013, NSP provided Company BN a promissory note of US\$1,500 thousand, due on June 30, 2015, as performance guarantee. Under the agreement, if NSP fails to complete the purchase of the required quantity, Company BN is entitled to request compensation within the amount of the promissory note.

2) Long-term sales contracts:

Under several long-term sales contracts with customers, NSP should deliver its products at an agreed-upon quantity from 2006 to 2016. Some of these contracts state that guarantee deposits should be received, which could be in the form of cash payment, irrevocable letter of credit, a bank guarantee or a warranty provided by the parent company of the buyers. These deposits will be deducted from customers' payments as the products are delivered or will be transferred as guarantee deposits on new contracts.

Yong Tang entered into several electricity purchase agreements with Taiwan Power Company ("TaiPower"), which is valid for 20 years from the first day of the connection of Yong Tang's electricity-generating facilities to TaiPower's distribution system for parallel operations. TaiPower permitted the private use by Yong Tang of the power generated but disallowed Yong Tang's sale of electricity to third parties without TaiPower's prior permission.

Yong Liang entered into electricity purchase agreement with TaiPower, which is valid for 20 years from the first day Yong Liang's electricity-generating facilities are connected to TaiPower's distribution system for parallel operations. TaiPower permitted the private usage by Yong Liang of power generated but disallowed Yong Liang's sale of electricity to third parties without prior permission.

TIPPING POINT entered into an electricity purchase agreement with the government of the City of Columbus, Ohio, USA, which is valid for 20 years from the first day TIPPING POINT's electricity-generating facilities are connected to the distribution system of the government of the City of Columbus for parallel operations. TIPPING POINT agreed to sell 100% of the energy it will generate to the government of City of Columbus.

ET ENERGY entered into electricity purchase agreement with Indianapolis Power & Light Company (IP&LC), which is valid for 15 years from the first day ET ENERGY's electricity-generating facilities are connected IP&LC's distribution system for parallel operations. ET ENERGY agreed to sell 100% of the electricity it will produce to IP&LC.

3) Construction contracts.

In April 2011, NSP and Chang Ji Construction Co., Ltd. entered into a construction agreement, which not completed yet, amounting to NT\$532,000 thousand. As of December 31, 2013, NT\$311,400 thousand (US\$10,227 thousand) had been paid. Both parties agreed to end this agreement.

4) Unused letters of credit amounted to approximately EUR5,766 thousand and US\$24,553 thousand as of December 31, 2013.

b. Contingencies

1) The Taiwan High Court ruled on the lawsuit filed by SilRay Inc. for NSP to pay the plaintiff US\$1,269 thousand and a compensation interest of 5% per annum from October 9, 2008 to the case discharge date. NSP has retained lawyers, who filed an appeal with the Taiwan Supreme Court on January 5, 2011. Based on the Taiwan Supreme Court's judgment, the lawsuit was remanded to the Taiwan Superior Court on May 10, 2012. On June 25, 2013 Taiwan High Court declared that NSP lost the lawsuit; thus, NSP appealed to the court in accordance with applicable law. Management believes these rulings and damages will not have a significant impact on NSP's operation.

2) In the controversy between NSP and Sun Q Solar Corporation ("Sun Q"), NSP requested the help of the Hsin-chu district court, a common pleas court, on July 7, 2010 to request Sun Q to return US\$3,507 thousand to NSP. On June 25, 2013, Hsin-chu district court ordered Sun Q to pay US\$3,507 thousand and interest calculated at 5% per year from September 18, 2010 until the settlement date. Sun Q appealed to a higher court as of December 31, 2013.

3) In December 2010, NSP and the M+W Group (M+W) entered into a construction agreement and materials purchase agreement, with a total amount of NT\$510,000 thousand. On April 22, 2013, M+W claimed the construction had been completed and requested for a payment of NT\$191,165 thousand (US\$6,278 thousand) (including NT\$49,344 thousand (US\$1,620 thousand) for additional works). On September 4, 2012, M+W requested the help of the Hsin-chu district court, a common pleas court, to request NSP to return NT\$200,723 thousand, which included NT\$191,165 thousand and interest calculated at 5% per year. NSP already filed a plea and counterplea on this case.

As of December 31, 2013, the amount of NT\$368,179 thousand (US\$12,091 thousand) had been paid; except the NT\$49,344 thousand (US\$1,620 thousand) for the additional works. NSP had accrued construction contract payables of NT\$141,821 thousand (US\$4,658 thousand) accordingly.

4) On the controversy between NSP and OFUNA Industry, Ltd., Nippon Bunkaseiko Co., Ltd. and Noritake Co., Ltd., NSP requested arbitration by The Chinese Arbitration Association of the Republic of China on July 20, 2013 for the return of JPY854,000 thousand to NSP. On the advice of the arbitration tribunal, all parties agreed to negotiate to resolve this case.

38. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	January 1, 2012		December 31, 2012		December 31, 2013	
	Foreign Currencies (In Thousands)	Exchange Rate	Foreign Currencies (In Thousands)	Exchange Rate	Foreign Currencies (In Thousands)	Exchange Rate
<u>Financial assets</u>						
Monetary assets						
USD	\$ 60,555	30.29	\$ 96,453	29.14	\$ 175,511	29.95
USD	-	-	-	-	15,872	6.0560
EUR	6,560	39.17	13,191	38.40	9,187	41.04
EUR	-	-	-	-	630	8.3327
JPY	2,982	0.3902	2,504	0.3365	492,554	0.2837
JPY	-	-	-	-	25,405	0.0576
RMB	619	4.8054	622	4.6581	7,207	4.9236
Nonmonetary assets						
USD	-	-	-	-	62	29.97
EUR	-	-	-	-	600	37.65
<u>Financial liabilities</u>						
Monetary liabilities						
USD	55,617	30.29	92,550	29.14	142,406	29.95
USD	-	-	-	-	10,860	6.0560
EUR	17,460	39.17	15,380	38.40	8,933	41.04
EUR	-	-	-	-	222	8.3327
JPY	11,461	0.3902	11,196	0.3365	315,931	0.2837
JPY	-	-	-	-	52,800	0.0576
Nonmonetary liabilities						
USD	34	30.29	-	-	-	-

39. SEPARATELY DISCLOSED ITEMS

Following are the additional disclosures required by the Securities and Futures Bureau for the Corporation:

- Financings provided: Table 1 (attached)
- Endorsements/guarantees provided: Table 2 (attached)
- Marketable securities held (which does not include invested subsidiaries, associates, and joint ventures): Table 3 (attached)
- Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: Table 4 (attached)
- Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: No.
- Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: No.
- Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- Trading in derivative instruments: Please see Note 8.

- j. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 7 (attached)
- k. Investments in Mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 8 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 5 (attached)
- l. Intercompany relationships and significant intercompany transaction: Table 9 (attached)

40. OPERATING SEGMENT INFORMATION

Financial information reported to the Corporation's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on revenue from each type of products. The accounting policies of the reportable segments are the same as the Corporation's accounting policies. The Corporation's main reportable segment is solar cell, which mainly manufactures and sells solar cells.

a. Segment revenue and results

	Segment Revenue					
	For the Year Ended December 31					
	2012		2013			
	From External Customer NT\$	Inter-segment Sales NT\$	From External Customer		Inter-segment Sales	
			NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
Solar cell	\$ 10,996,887	\$ 75,468	\$ 16,758,637	\$ 550,366	\$ 1,867,571	\$ 61,332
Others	<u>1,244,126</u>	<u>544,293</u>	<u>3,325,616</u>	<u>109,215</u>	<u>1,369,280</u>	<u>44,967</u>
Total	<u>\$ 12,241,013</u>	<u>\$ 619,761</u>	<u>\$ 20,084,253</u>	<u>\$ 659,581</u>	<u>\$ 3,236,851</u>	<u>\$ 106,299</u>

	Segment Profit or Loss		
	For the Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Solar cell	\$ (3,027,780)	\$ 1,409,474	\$ 46,288
Others	<u>(221,952)</u>	<u>300,693</u>	<u>9,875</u>
Reportable segments gross (loss) profit	(3,249,732)	1,710,167	56,163
Realized (unrealized) intercompany profit	<u>33</u>	<u>(302)</u>	<u>(10)</u>
	(3,249,699)	1,709,865	56,153
Unallocated amount			
Operating expenses	(809,789)	(1,255,997)	(41,248)
Other income and expenses	(145,419)	(139,511)	(4,581)
Nonoperating income and expenses	<u>(36,955)</u>	<u>185,062</u>	<u>6,077</u>
(Loss) income before income tax	<u>\$ (4,241,862)</u>	<u>\$ 499,419</u>	<u>\$ 16,401</u>

Segment profit or loss represents profit or loss created by each segment without the allocation of operating expenses, nonoperating income and gains, and nonoperating expenses and losses. This is the measure reported to the Corporation's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Corporation does not regularly provide information on assets to the Corporation's chief operating decision maker; thus, the measure of assets is zero.

c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from its major products and services.

	For the Years Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Solar cell	\$ 10,996,887	\$ 16,758,637	\$ 550,366
Others	<u>1,244,126</u>	<u>3,325,616</u>	<u>109,215</u>
	<u>\$ 12,241,013</u>	<u>\$ 20,084,253</u>	<u>\$ 659,581</u>

d. Geographical information

The Corporation's revenue from external customers by location of operations and information about its noncurrent assets by location of assets is shown below.

	Revenue from External Customers			Noncurrent Assets			
	Year Ended December 31			January 1,	December 31,	December 31,	
	2012	2013		2012	2012	2013	
	NT\$	NT\$	US\$ (Note 6)	NT\$	NT\$	NT\$	US\$ (Note 6)
China	\$ 3,277,260	\$ 5,689,762	\$ 186,856	\$ -	\$ -	\$ 2,138,926	\$ 70,244
Japan	3,217,585	6,082,765	199,762	-	-	182,359	5,989
Taiwan	1,978,565	4,665,482	153,218	11,113,907	9,632,439	13,096,307	430,092
Germany	2,080,298	1,350,962	44,367	-	-	-	-
USA	851,404	1,264,341	41,522	-	10,368	189,317	6,217
Others	<u>835,901</u>	<u>1,030,941</u>	<u>33,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$12,241,013</u>	<u>\$20,084,253</u>	<u>\$ 659,581</u>	<u>\$11,113,907</u>	<u>\$ 9,642,807</u>	<u>\$15,606,909</u>	<u>\$ 512,542</u>

Noncurrent assets exclude investments accounted for using the equity method, prepaid investments in shares, financial instruments, deferred tax assets, goodwill, brands and other assets.

e. Major customers

Single customers that each contributed 10% or more to the Corporation's revenue were as follows:

	For the Year Ended December 31		
	2012	2013	
	NT\$	NT\$	US\$ (Note 6)
Custom H	NA (Note)	\$ 2,942,697	\$ 96,640
Custom AE	NA (Note)	2,022,787	66,430
Custom AS	\$ 1,491,776	NA (Note)	NA (Note)
Custom BJ	1,393,628	NA (Note)	NA (Note)

Note: Revenue less than 10% of the Corporation's revenue.

41. FIRST-TIME ADOPTION OF TAIWAN IFRSs

a. Basis of the preparation for financial information under Taiwan IFRSs

The Corporation's consolidated financial statements for the years ended December 31, 2013 were the first IFRS financial statements. The Corporation not only followed the significant accounting policies stated in Notes 4 but also applied the requirements under IFRS 1 "First-time Adoption of International Financial Reporting Standards" as the basis for financial statement preparation.

b. Effects of transition to Taiwan IFRSs

After transition to Taiwan IFRSs, the impact on the Corporation's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of the consolidated balance sheet as of January 1, 2012:

ROC GAAP		Effect of the Transition from ROC GAAP to Taiwan IFRSs		Taiwan IFRSs		Note
Item	Amount	Presentation Difference	Measurement or Recognition Inconsistency	Amount	Item	
Cash	\$ 5,488,679	\$ -	\$ -	\$ 5,488,679	Cash	
Notes and accounts receivable, net	1,576,032	-	-	1,576,032	Notes and accounts receivable, net	
-	-	3,148	-	3,148	Current tax assets	
Other receivable	92,837	(3,148)	-	89,689	Other receivable	
Inventories	897,387	-	-	897,387	Inventories	
Prepayments - current	362,706	-	-	362,706	Prepayments - current	
Pledged time deposits	10,215	(10,215)	-	-	-	
Other current assets	16,257	10,215	-	26,472	Other current assets	
Total current assets	8,444,113	-	-	8,444,113		
Financial assets carried at cost - noncurrent	289,940	-	-	289,940	Financial assets carried at cost - noncurrent	
Net property, plant and equipment	11,113,907	-	-	11,113,907	Property, plant and equipment	
Other assets	-	-	23,611	23,611	Deferred tax assets	
Refundable deposits	30,682	-	-	30,682	Refundable deposits	
Deferred charges, net	89,398	-	-	89,398	Other noncurrent assets	
Prepaid expense - noncurrent	2,162,464	-	-	2,162,464	Prepayments- noncurrent	
Total other assets	2,282,544	-	23,611	2,306,155		
Total	\$ 22,130,504	\$ -	\$ 23,611	\$ 22,154,115		

(Continued)

ROC GAAP		Effect of the Transition from ROC GAAP to Taiwan IFRSs		Taiwan IFRSs		Note
		Presentation Difference	Measurement or Recognition Inconsistency	Amount	Item	
Item	Amount					
Short-term bank loans	\$ 729,949	\$ -	\$ -	\$ 729,949	Short-term bank loans	
Financial liabilities at fair value through profit or loss- current	1,017	-	-	1,017	Financial liabilities at fair value through profit or loss- current	
Notes and accounts payable	969,664	-	-	969,664	Notes and accounts payable	
Income tax payable	40,574	-	-	40,574	Current tax liabilities	
Bonuses payable to employees and directors	3,969	-	-	3,969	Bonuses payable to employees and directors	
Payables to contractors and equipment suppliers	1,427,151	-	-	1,427,151	Payable to contractors and equipment suppliers	
Receipts in advance	122,729	-	-	122,729	Receipts in advance	
Current portion of long-term bank loans	1,009,017	-	-	1,009,017	Current portion of loan-term bank loans	
Accrued expenses and other current liabilities	1,002,880	(52,166)	17,617	968,331	Accrued expenses and other current liabilities	b) and c)
Total current liabilities	<u>5,306,950</u>	<u>(52,166)</u>	<u>17,617</u>	<u>5,272,401</u>		
Long-term bank loans	2,259,883	-	-	2,259,883	Long-term bank loans	
Guarantee deposits	474	-	-	474	Guarantee deposits	
-	-	52,166	-	52,166	Provision - noncurrent	c)
-	-	-	23,611	23,611	Deferred tax liabilities	
Total other liabilities	<u>2,260,357</u>	<u>52,166</u>	<u>23,611</u>	<u>2,336,134</u>		
Total liabilities	<u>7,567,307</u>	<u>-</u>	<u>41,228</u>	<u>7,608,535</u>	Total liabilities	
Common share	4,289,048	-	-	4,289,048	Common shares	
Capital surplus	12,023,580	-	-	12,023,580	Capital surplus	
Legal reserve	273,849	-	-	273,849	Legal reserve	
Accumulated deficits	<u>(2,035,040)</u>	<u>-</u>	<u>(17,543)</u>	<u>(2,052,583)</u>	Accumulated deficits	b)
Equity attributable to shareholders of the Parent	14,551,437	-	(17,543)	14,533,894	Equity attributable to shareholders of the parent	
Minority interest	11,760	-	(74)	11,686	Noncontrolling interests	b)
Total shareholders' equity	<u>14,563,197</u>	<u>-</u>	<u>(17,617)</u>	<u>14,545,580</u>	Total equity	
Total	<u>\$ 22,130,504</u>	<u>\$ -</u>	<u>\$ 23,611</u>	<u>\$ 22,154,115</u>	Total	

(Concluded)

2) Reconciliation of the consolidated balance sheet as of December 31, 2012:

ROC GAAP		Effect of the Transition from ROC GAAP to Taiwan IFRSs		Taiwan IFRSs		Note
		Presentation Difference	Measurement or Recognition Inconsistency	Amount	Item	
Item	Amount					
Cash	\$ 5,819,523	\$ -	\$ -	\$ 5,819,523	Cash and cash equivalents	
Notes and accounts receivable, net	2,406,383	-	-	2,406,383	Notes and accounts receivable, net	
-	-	3,877	-	3,877	Current tax assets	
Other receivable	54,731	(3,877)	-	50,854	Other receivable	
Inventories	499,577	-	-	499,577	Inventories	
Prepayments - current	324,461	-	-	324,461	Prepayments - current	
Pledged time deposits	8,728	(8,728)	-	-	-	
Other current assets	<u>43,428</u>	<u>8,728</u>	<u>-</u>	<u>52,156</u>	Other current assets	
Total current assets	<u>9,156,831</u>	<u>-</u>	<u>-</u>	<u>9,156,831</u>		
Long-term equity investment by the equity method	3,558	-	-	3,558	Investment accounted for using the equity method	
Prepayments for Long-term investments in share	22,590	-	-	22,590	Prepayments for investments	
Financial assets carried at cost - noncurrent	776,529	-	-	776,529	Financial assets carried at cost - noncurrent	
Total long-term investments	<u>802,677</u>	<u>-</u>	<u>-</u>	<u>802,677</u>		
Net property, plant and equipment	9,651,480	(8,673)	-	9,642,807	Property, plant and equipment	d)
Other assets	-	-	28,754	28,754	Deferred tax assets	
-	26,223	-	-	26,223	Refundable deposits	
Deferred charges, net	84,698	(23,309)	-	61,389	Other noncurrent assets	e)
Prepaid expenses - noncurrent	1,348,410	8,673	-	1,357,083	Prepayments - noncurrent	d)
-	-	23,309	-	23,309	Prepayments for lease	e)
Total other assets	<u>1,459,331</u>	<u>8,673</u>	<u>28,754</u>	<u>1,496,758</u>		
Total	<u>\$ 21,070,319</u>	<u>\$ -</u>	<u>\$ 28,754</u>	<u>\$ 21,099,073</u>	Total	

(Continued)

ROC GAAP		Effect of the Transition from ROC GAAP to Taiwan IFRSs		Taiwan IFRSs		Note
		Presentation Difference	Measurement or Recognition Inconsistency	Amount	Item	
Item	Amount					
Short-term bank loans	\$ 2,942,427	\$ -	\$ -	\$ 2,942,427	Short-term bank loan	
Financial liabilities at fair value through profit or loss- current	139	-	-	139	Financial liabilities at fair value through profit or loss- current	
Notes and accounts payable	836,698	-	-	836,698	Notes and accounts payable	
Accounts payable - related parties	22,819	-	-	22,819	Accounts payable - related parties	
Bonuses payable to employees and directors	2,927	-	-	2,927	Bonuses payable to employees and directors	
Payables to contractors and equipment suppliers	495,921	-	-	495,921	Payable to contractors and equipment suppliers	
Receipts in advance	10,858	-	-	10,858	Receipts in advance	
Current portion of long-term bank loans	1,301,042	-	-	1,301,042	Current portion of loan-term bank loans	
Accrued expenses and other current liabilities	1,201,490	(65,368)	25,920	1,162,042	Accrued expenses and other current liabilities	b) and c)
Total current liabilities	6,814,321	(65,368)	25,920	6,774,873	Total current liabilities	
Long-term bank loans	3,174,465	-	-	3,174,465	Long-term bank loans	
-	-	-	28,754	28,754	Deferred tax liabilities	
Guarantee deposits	35	-	-	35	Guarantee deposits	
-	-	65,368	-	65,368	Provision - noncurrent	c)
Total noncurrent liabilities	3,174,500	65,368	28,754	3,268,622	Total noncurrent liabilities	
Total liabilities	9,988,821	-	54,674	10,043,495	Total liabilities	
Common share	4,606,774	-	-	4,606,774	Common shares	
Capital surplus	10,535,813	-	-	10,535,813	Capital surplus	
Accumulated deficits	(4,173,633)	-	(25,920)	(4,199,553)	Accumulated deficits	b)
Cumulative translation adjustments	(415)	415	-	-	-	
Unrealized loss for financial instruments	(24,237)	24,237	-	-	-	
Unearned profits for employees	(36,152)	(24,652)	-	(60,804)	Other equity	
Equity attributable to shareholders of the Parent	10,908,150	-	(25,920)	10,882,230	Equity attributable to shareholders of the parent	
Minority interest	173,348	-	-	173,348	Noncontrolling interests	
Total shareholders' equity	11,081,498	-	(25,920)	11,055,578	Total equity	
Total	\$ 21,070,319	\$ -	\$ 28,754	\$ 21,099,073	Total	

(Concluded)

3) Reconciliation of the consolidated statement of comprehensive income for the years ended December 31, 2012:

ROC GAAP		Effect of the Transition from ROC GAAP to Taiwan IFRSs		Taiwan IFRSs		Note
		Presentation Difference	Measurement or Recognition Inconsistency	Amount	Item	
Item	Amount					
Net sales	\$ 12,241,013	\$ -	\$ -	\$ 12,241,013	Net sales	
Cost of sales	15,473,123	13,202	4,387	15,490,712	Cost of sales	b) and f)
Gross loss	(3,232,110)	(13,202)	(4,387)	(3,249,699)	Gross loss	
Operating expenses					Operating expenses	
Selling	298,321	(13,202)	427	285,546	Selling	b) and f)
General and administrative	360,733	-	1,364	362,097	General and administrative	b) and f)
Research and development	160,021	-	2,125	162,146	Research and development	b) and f)
Total operating expenses	819,075	(13,202)	3,916	809,789	Total operating expenses	
-	-	(145,419)	-	(145,419)	Other income and expenses	f)
Operating loss	(4,051,185)	(145,419)	(8,303)	(4,204,907)	Operating loss	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	18,177	-	-	18,177	Interest income	
Foreign exchange gain, net	6,825	-	-	6,825	Foreign exchange gain, net	
Dividend income	1,775	-	-	1,775	Dividend income	
Gain on disposal of property, plant and equipment	1,290	(1,290)	-	-	-	
Others	27,298	-	-	27,298	Others	
Total nonoperating income and gains	55,365	(1,290)	-	54,075	Total nonoperating income and gains	

(Continued)

ROC GAAP		Effect of the Transition from ROC GAAP to Taiwan IFRSs		Taiwan IFRSs		Note
		Presentation Difference	Measurement or Recognition Inconsistency	Amount	Item	
Nonoperating expenses and Losses					Nonoperating expenses and losses	
Impairment loss	\$ 79,683	\$ (79,683)	\$ -	\$ -	-	f)
Interest expense	76,122	-	-	76,122	Finance costs	
Loss on disposal of property, plant and equipment	67,026	(67,026)	-	-	-	f)
Valuation loss on financial instruments, net	1,612	-	-	1,612	Financial instructions at fair value through profit or loss- current	
Others	13,296	-	-	13,296	Others	
Total nonoperating expense and losses	237,739	(146,709)	-	91,030	Total nonoperating expense and losses	
Loss before income tax	(4,233,559)	-	(8,303)	(4,241,862)	Loss before income tax	
Income tax benefit	40,574	-	-	40,574	Income tax benefit	
Net loss	<u>\$ (4,192,985)</u>	<u>\$ -</u>	<u>\$ (8,303)</u>	<u>\$ (4,201,288)</u>	Net loss	
Attributable to:					Attributable to:	
Shareholders of the parent	\$ (4,173,633)	\$ -	\$ (8,377)	\$ (4,182,010)	Shareholders of the parent	b)
Minority interest	(19,352)	-	74	(19,278)	Noncontrolling interests	b)
	<u>\$ (4,192,985)</u>	<u>\$ -</u>	<u>\$ (8,303)</u>	<u>(4,201,288)</u>		
				(415)	Exchange differences on translating foreign operations	
				(24,237)	Unrealized valuation of loss on financial assets in available-for-sale	
				<u>\$ (4,225,940)</u>	Comprehensive loss for the period	

(Concluded)

4) Exemptions from IFRS 1

IFRS 1 “First-time Adoption of International Financial Reporting Standards” establishes the procedures for the Corporation’s first consolidated financial statements prepared in accordance with Taiwan IFRSs. Under IFRS 1, the Corporation is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies to its opening balance sheet at the date of transition to Taiwan IFRSs, January 1, 2012, except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Corporation adopted are summarized as follows:

Share-based payment transactions

The Corporation elected to take the optional exemption from applying IFRS 2 “Share-based Payment” retrospectively to share-based payment transactions granted and vested before the date of transition.

5) Explanations of significant reconciling items in the transition to Taiwan IFRSs

Significant differences between ROC GAAP accounting policies and Taiwan IFRSs’ accounting policy are as follows:

a) Deferred income tax asset or liability

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits against which deductible temporary differences can be used; thus, a valuation allowance account is not used.

In addition, under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. Under Taiwan IFRSs, a deferred tax asset or liability is classified as noncurrent.

b) Employee benefits - short term accumulated compensated absences

Accumulated compensated absences are not addressed in the ROC GAAP; thus, the Corporation recognizes the cost of employee benefits when employees actually go on leave. However, under Taiwan IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits.

The IFRS adjustment as of December 31, 2011 and 2012 resulted in increases in accrued expenses of NT\$25,920 thousand and NT\$17,617 thousand, respectively.

c) Provision for warranties

Provision for warranties is reclassified to provision.

d) Prepayment for equipment

Under ROC GAAP, the prepayment for equipment is usually recognized under the property, plant and equipment. Under Taiwan IFRSs, the prepayment of equipment is usually recognized as prepayment and is recognized as current or noncurrent assets depending on the length of their realizable period.

e) Land use rights

Under ROC GAAP, land use rights are usually recognized under intangible assets. Under Taiwan IFRSs, granted land use rights are covered by IAS 17 - "Lease" and should be disclosed as prepaid lease payment.

As of December 31, 2012, the Corporation reclassified deferred charges, net NT\$23,309 thousand under prepaid lease payment.

f) Reclassification of line items in the consolidated statement of comprehensive income

For 2012, the Taiwan IFRS adjustment of accumulated compensated absences resulted in (a) a increase of NT\$4,387 thousand in manufacturing expenses; (b) increases in selling expenses by NT\$427 thousand; in general and administrative expenses by NT\$1,364 thousand; and in research and development expenses by NT\$2,215 thousand. The Taiwan IFRSs adjustments also resulted in the reclassification of (a) NT\$13,202 thousand of warranties from operating expenses to cost of sales; (b) NT\$79,683 thousand for impairment loss on idle assets from nonoperating expenses and losses to other income and expenses; and (c) net loss of NT\$65,736 thousand on the disposal of property, plant and equipment from nonoperating expenses and losses to other income and expense.

c. Explanation of material adjustments to the statement of cash flows

The Corporation prepared the statement of cash flows using the indirect method under ROC GAAP, in which the interest received is not required to be disclosed separately; instead, the interest received and the interest paid are categorized within the operating activities in the statement of cash flows. However, based on IAS 7 “Statement of Cash Flows,” for 2012, the interest and dividend received of NT\$18,220 and NT\$1,775 thousand, respectively, should be disclosed separately in the investing activities; and the interest paid of NT\$72,031 thousand should be disclosed in the financing activities on the basis of its nature.

Except for the above differences, there were no significant differences between ROC GAAP and Taiwan IFRSs in the consolidated statements of cash flows.

TABLE 1

NEO SOLAR POWER CORP. AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Financing Company	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Actual Provided	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limit	Note
											Item	Value			
General Energy Solutions	Yong Tang	Other receivables from related parties	\$ 100,000	\$ 100,000	\$ 100,000	1.972%-2.262%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 501,285 (Notes 2, 3, 4 and 5)	\$ 501,285	2
	GES USA	Other receivables from related parties	80,000	80,000	-	1.972%-2.262%	2	-	Operating capital	-	-	-	125,321 (Notes 2, 3, 4 and 5)	250,642	2
	GES JAPAN	Other receivables from related parties	50,000	50,000	-	-	2	-	Operating capital	-	-	-	125,321 (Notes 2, 3, 4 and 5)	250,642	2
	Yong Liang	Other receivables from related parties	30,000	30,000	-	1.972%-2.262%	2	-	Operating capital	-	-	-	501,285 (Notes 2, 3, 4 and 5)	501,285	2
	ET ENERGY	Other receivables from related parties	30,000	30,000	-	-	2	-	Operating capital	-	-	-	125,321 (Notes 2, 3, 4 and 5)	250,642	2
GES USA	ET ENERGY	Other receivables from related parties	130,529	130,529	77,956	1.972%-2.029%	2	-	Operating capital	-	-	-	470,403 (Notes 2, 3, 4 and 5)	470,403	2
	TIPPING POINT	Other receivables from related parties	24,096	24,096	24,096	1.972%-2.029%	2	-	Operating capital	-	-	-	470,403 (Notes 2, 3, 4 and 5)	470,403	2
Yong Liang	Yong Tang	Other receivables from related parties	5,000	5,000	-	-	2	-	Operating capital	-	-	-	6,288 (Notes 2, 3, 4 and 5)	6,288	2
	General Energy Solutions	Other receivables from related parties	6,130	3,065	-	1.972%-2.262%	2	-	Operating capital	-	-	-	22,876 (Notes 2, 3, 4 and 5)	22,876	2

Note 1: Nature of Financing:

- 1) For business,
- 2) For short-term financing.

Note 2: The financing company's total financing amount for one counterparty should not exceed 40% of the financing company's net asset value.

Note 3: The financing company's total financing should not exceed 20% of its net asset value. A single financing should not exceed the transaction amount between financing company and counterparty within one year and should not exceed the highest amount of purchases or sales.

Note 4: The total amount of financing for short-term financing need should not exceed 20% of net asset value and the financing for a counterparty should not exceed 10% of net asset value.

Note 5: Domestic subsidiaries with over 75% of voting shares owned directly or indirectly over 75% by General Energy Solution are not subject to Notes 3 and 4.

Note 6: Overseas subsidiaries wholly owned directly or indirectly by General Energy Solution are not subject to Note 2.

TABLE 2

NEO SOLAR POWER CORP. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Notes 1 and 2)	Maximum Balance for the Period	Ending Balance	Actual Provided	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Notes 1 and 2)	Endorsement/ Guarantee Amount Provided to Subsidiary	Endorsement/ Guarantee Amount Provided to the Parent Company	Endorsement/ Guarantee Amount Provided to Mainland China
		Name	Nature of Relationship										
0	NSP	General Energy Solutions		\$ 3,771,403	\$ 400,000	\$ 400,000	\$ 371,477	\$ -	2.12	\$ 9,428,509	YES	-	-
1	General Energy Solutions	Yong Tang	Subsidiary	1,253,212	900,000	900,000	508,548	-	71.82	2,506,424	YES	-	-
1	General Energy Solutions	ET ENERGY	Subsidiary	1,253,212	735,000	735,000	735,000	-	58.65	2,506,424	YES	-	-
1	General Energy Solutions	Yong Liang	Subsidiary	1,253,212	30,000	30,000	25,700	-	2.39	2,506,424	YES	-	-

Note 1: In accordance with the "Rules of Guarantees by NSP," the ceiling for total guaranteed amount was 50% of NSP's net asset value, and the limit on the guaranteed amount for a single party was 20% of NSP's net asset value. But for business purposes, the limit of guaranteed amount was the total of the purchase from or sale to NSP within the most recent year.

Note 2: Based on the "Rules of Guarantees by General Energy Solutions," the ceiling for total guaranteed amount was 200% of General Energy Solutions' (GES) net asset value, and the limit of guaranteed amount for a single party was 100% of GES's net asset value. But for business purposes, the limit on the guaranteed amount was the total of the purchase from or sale to GES within the most recent year. GES's net asset value is based on its latest financial statements.

TABLE 3

NEO SOLAR POWER CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2013			Note
				Shares (Thousands/Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value
NSP	Share TTC SUN APPENNINO CORPORATION FICUS CAPITAL CORPORATION	Investee Investee Investee	Available-for-sale financial assets - noncurrent Financial assets carried at cost - noncurrent Financial assets carried at cost - noncurrent	4,000 - -	\$ 110,600 22,590 1,259	5.66 26.09 28.07	\$ 110,600 22,590 1,259
Prime Energy	Share TTC	Investee	Available-for-sale financial assets - noncurrent	1,000	29,200	1.41	29,200
New Ray Investment	Share TTC	Investee	Available-for-sale financial assets - noncurrent	3,000	82,950	4.24	82,950
GES USA	Share TG ENERGY SOLUTIONS LLC	Investee	Financial assets carried at cost - noncurrent	-	599	10.00	599

Note 1: The above amount is based on book value.

Note 2: The above amount is based on fair value; for those pertaining to private-placement shares, on quoted market prices; and for those that cannot be traded during the lock-up period, on relevant market prices.

Note 3: The above marketable securities had not been pledged or mortgaged. TTC's shares held by NSP and New Ray Investment through private equity placement were restricted under Article 43-8 of the Securities and Exchange Act as of December 31, 2013.

TABLE 4

NEO SOLAR POWER CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount
NSP	Share General Energy Solutions	Equity-method investments	-	-	33,997	\$ 276,207	44,811	\$ 672,203	-	\$ -	78,808 (Note 1)	\$ 937,424 (Note 2)
General Energy Solutions	Share GES Samoa	Equity-method investments	-	-	3,900	105,878	12,050	356,884	-	-	15,950	500,634 (Note 3)
GES Samoa	Share GES UK	Equity-method investments	-	-	3,000	USD 2,886	12,458	USD 12,479	-	-	15,458	USD 16,187 (Note 4)
GES UK	Share GES USA	Equity-method investments	-	-	3,000	USD 2,888	12,080	USD 12,140	-	-	15,080	USD 16,093 (Note 5)
GES USA	Share ET ENERGY	Equity-method investments	-	-	-	-	-	USD 8,400	-	-	-	USD 7,921 (Note 6)
	TIPPING POINT	Equity-method investments	-	-	-	-	-	USD 1,000	-	-	-	USD 767 (Note 7)

Note 1: On February 5, 2013 and September 27, 2013, General Energy Solutions' (GES) Board of Directors proposed a capital increase of \$300,000 thousand and \$232,000 thousand, and NSP increased its holding of GES shares by 22,743 thousand and 21,898 thousand, respectively, in May 2013 and September 2013. NSP bought 170 thousand shares from GES's employees who had quit their jobs.

Note 2: The ending balance included the recognition of the investment net profit of \$31,786 thousand, cumulative translation adjustments of \$(1,152) thousand, unrealized intercompany profit of \$(364) thousand and the adjustment for changes in investee's equity amounting to \$(41,256) thousand.

Note 3: The ending balance included the recognition of the investment net profit of \$32,090 thousand, cumulative translation adjustments of \$6,314 thousand and the adjustment for changes in investee's equity amounting to \$(532) thousand.

Note 4: The ending balance included the recognition of the investment net profit of US\$985 thousand, cumulative translation adjustments of US\$(28) thousand and the adjustment for changes in investee's equity amounting to US\$(135) thousand.

Note 5: The ending balance included the recognition of the investment net profit of US\$1,182 and the adjustment for changes in investee's equity amounting to US\$(117) thousand.

Note 6: The ending balance included the recognition of the investment net loss of US\$479 thousand.

Note 7: The ending balance included the recognition of the investment net loss US\$233 thousand.

TABLE 5

NEO SOLAR POWER CORP. AND SUBSIDIARIES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Remark
			Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total (Note)	
NSP General Energy Solutions	General Energy Solutions DeiSolar Wu Jiang Delta Electronic (Japan) Inc. ET ENERGY Yong Tang GES KYUSHU	Subsidiary Subsidiary Other related party Subsidiary Subsidiary Subsidiary	Subcontract	\$ 492,029	3%	Cash on delivery	-	-	\$ (11,576)	1%	-
			Purchase	2,773,787	19%	Open account 70 days	-	-	(425,524)	20%	-
			Sale	2,022,787	10%	Open account 70 days	-	-	253,255	7%	-
			Sale	301,467	19%	Cash on delivery	-	-	-	-	-
			Sale	194,325	12%	Open account 30 days	-	-	117,361	15%	-
			Sale	168,784	11%	Open account 60 days	-	-	171,762	23%	-

Note: The amounts were based on total notes or accounts receivable (payable) or total purchase (sale) amounts of the buyer (seller).

TABLE 6

NEO SOLAR POWER CORP. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2013
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Receivable from Related Parties Amounts	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
NSP DeiSolar Wu Jiang	Delta Electronic (Japan) Inc. NSP	Other related party Parent company	\$ 253,255 425,524	5.57 times 3.39 times	\$ - -	- -	\$ 116,147 425,524	\$ - -

TABLE 7

NEO SOLAR POWER CORP. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount December 31, 2013	Investment Amount December 31, 2012	Shares (Thousands)	Balance as of December 31, 2013 % of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
NSP	General Energy Solutions	Hsin-chu, Taiwan	Electronic component manufacturing and selling	NT\$ 1,132,653	NT\$ 460,450	78,808	72.61	NT\$ 937,424	NT\$ 45,543	NT\$ 31,786	Note 1
	New Ray Investment	Tainan, Taiwan	Investment company	115,000	115,000	11,500	100.00	95,816	2,584	2,584	Note 1
	Prime Energy	Tainan, Taiwan	Electronic component manufacturing and selling	50,000	50,000	5,000	100.00	40,470	788	788	Note 1
	DeSolar Cayman	Cayman Islands	Investment company	3,492,035	Note 2	125,350	100.00	3,688,809	124,565	189,324	Notes 1 and 3
	DeSolar Singapore	Singapore	Investment company	-	Note 2	310	100.00	(41,707)	(1,781)	(1,781)	Notes 1 and 3
General Energy Solutions	Yong Tang	Hsin-chu, Taiwan	Solar related business	230,000	160,000	-	100.00	254,430	26,542	26,542	Note 1
	Yong Liang	Hsin-chu, Taiwan	Solar related business	15,000	15,000	-	100.00	16,017	1,170	1,170	Note 1
	Yong Han	Hsin-chu, Taiwan	Solar related business	1,000	-	-	100.00	998	(2)	(2)	Note 1
	Yong Zhou	Hsin-chu, Taiwan	Solar related business	1,000	-	-	100.00	997	(3)	(3)	Note 1
	GES Samoa	Samoa	Investment company	471,214	114,330	15,950	100.00	500,634	US\$ 1,078	32,090	Note 1
GES Samoa	GES JAPAN	Hokkaido, Japan	Investment company	121,340	-	10	100.00	100,655	NT\$ (15,074)	(15,074)	Note 1
	GES Global	Virgin Islands	Investment company	-	-	-	100.00	(233)	(231)	(231)	Notes 1 and 4
	Hashimoto	Fukushima, Japan	Solar related business	32,954	-	-	100.00	25,414	(5,392)	(5,392)	Note 1
	GES UK	London, UK	Investment company	US\$ 15,479	US\$ 3,000	15,458	100.00	US\$ 16,187	US\$ 1,023	US\$ 985	Note 1
	GES USA	Delaware, US	Solar related business	US\$ 15,140	US\$ 3,000	15,080	100.00	US\$ 16,093	US\$ 1,277	US\$ 1,183	Note 1
GES USA	Renewable	Hokkaido, Japan	Solar related business	US\$ 122	US\$ 122	2	50.00	US\$ -	US\$ (106)	US\$ (63)	Note 1
	ET ENERGY	Indiana, US	Solar related business	US\$ 8,400	US\$ -	-	100.00	US\$ 7,921	US\$ (479)	US\$ (479)	Note 1
	TIPPING POINT	Ohio, US	Solar related business	US\$ 1,000	US\$ -	-	100.00	US\$ 767	US\$ (233)	US\$ (233)	Note 1
	GES MEGAONE	California, US	Solar related business	US\$ -	US\$ -	-	-	US\$ (60)	US\$ (48)	US\$ (48)	Notes 1 and 4
	GES MEGATWO	California, US	Solar related business	US\$ -	US\$ -	-	-	US\$ (11)	US\$ (10)	US\$ (10)	Notes 1 and 4
GES Global	GES ASSET	California, US	Investment company	US\$ -	US\$ -	-	-	US\$ (8)	US\$ (7)	US\$ (7)	Notes 1 and 4
	GES KYUSHU	Fukuoka, Japan	Solar related business	JPY\$ 249,330	JPY\$ -	-	100.00	JPY\$ 201,588	JPY\$ (47,742)	JPY\$ (47,742)	Note 1
	GES FUKUSHIMA	Fukuoka, Japan	Solar related business	JPY\$ 27,454	JPY\$ -	12.5	100.00	JPY\$ 27,290	JPY\$ (2,710)	JPY\$ (1,644)	Note 1
	DeSolar US	Delaware, US	Investment company	US\$ 5,800	Note 2	0.35	100.00	US\$ 5,650	US\$ (123)	US\$ (123)	Notes 1 and 3
	DeSolar HK	Hong Kong	Investment company	US\$ 120,100	Note 2	120,100	100.00	US\$ 118,015	US\$ 7,005	US\$ 7,005	Notes 1 and 3
DeSolar HK	DeSolar Wu Jiang	Jiangsu, China	Solar related business	US\$ 120,000	Note 2	-	100.00	US\$ 117,946	US\$ 7,011	US\$ 7,011	Notes 1 and 3
	DeSolar US	Delaware, US	Solar related business	US\$ 4,850	Note 2	-	100.00	US\$ 5,359	US\$ (97)	US\$ (97)	Notes 1 and 3
	DeSolar Development	US	Solar related business	US\$ 1,370	Note 2	-	100.00	US\$ 1,901	US\$ (40)	US\$ (40)	Notes 1 and 3
	DSS-USF PHX LLC	US	Solar related business	US\$ 2,555	Note 2	-	100.00	US\$ 3,648	US\$ (60)	US\$ (60)	Notes 1 and 3
	DSS-RAL LLC	US	Solar related business	US\$ 300	Note 2	-	100.00	US\$ (1,388)	US\$ (60)	US\$ (60)	Notes 1 and 3
DeSolar Singapore	DeSolar India	India	Solar related business	US\$ 300	Note 2	1,435	100.00	US\$ (1,388)	US\$ (60)	US\$ (60)	Notes 1 and 3

Note 1: Recognized on the basis of audited financial statements as of December 31, 2013.

Note 2: Acquired because of business combination as of May 31, 2013.

Note 3: Net income of investee acquired because of a business combination was based on net income from May 31, 2013 (the day of business combination) to December 31, 2013; the related net investment gain (loss) were based on net income generated from May 31, 2013 (the day of business combination) to December 31, 2013.

Note 4: The Corporation's special-purpose entities.

TABLE 8

NEO SOLAR POWER CORP. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands, Unless Stated Otherwise)

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Percentage of Ownership in Investment	Investment Gain (Loss) (Notes 1 and 2)	Carrying Value as of December 31, 2013 (Notes 1 and 2)	Accumulated Inward Remittance of Earnings as of December 31, 2013
					Outflow	Inflow					
DeiSolar Wu Jiang	Solar-related business	US\$ 120,000	Indirect investments through the Corporation's 100% subsidiaries	US\$ 120,000	\$ -	\$ -	US\$ 120,000	100%	US\$ 7,011	US\$ 117,946	\$ -
Accumulated Investment in Mainland China as of December 31, 2013 (US\$ in Thousands)		Investment Amount Authorized by the Investment Commission, MOEA		Limit on the Corporation's Investment in Mainland China							
US\$ 120,000		US\$ 120,000		NT\$ 11,314,210							

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: Investment gain (loss) of investees acquired because of a business combination was based on net income generated from May 31, 2013 (the day of business combination) to December 31, 2013.

TABLE 2

NEO SOLAR POWER CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
				Financial Statements Items	Amount	Terms	
0	For the years ended December 31, 2012						
NSP		General Energy Solutions	1	Sales	\$ 75,468	Note 2	1%
			1	Purchase	38	Note 2	-
			1	Manufacturing expenses	530,586	Note 2	4%
			1	Research and development expenses	13,669	Note 2	-
			1	Accounts receivable	25,333	Note 2	-
			1	Accounts payable	39,601	Note 2	-
			1	Accrued expenses and other current liabilities	13,847	Note 2	-
		Prime Energy	1	Rental income	110	Note 2	-
		New Ray	1	Rental income	110	Note 2	-
1	General Energy Solutions	Yong Tang	3	Sales	230,470	Note 2	2%
			3	Interest income	681	Note 2	-
			3	Rental income	52	Note 2	-
			3	Other receivables	100,000	Note 2	-
		Yong Liang	3	Sales	40,176	Note 2	-
			3	Interest income	10	Note 2	-
			3	Rental income	52	Note 2	-
			3	Other receivables	30,010	Note 2	-
		GES Samoa	3	Temporary receipts	3	Note 2	-
		GES USA	3	Sales	15,877	Note 2	-
			3	Accounts receivable	15,877	Note 2	-
			3	Prepaid legal and other expenses	3,896	Note 2	-
		GES UK	3	Prepaid legal and other expenses	198	Note 2	-
0	For the years ended December 31, 2013						
NSP		General Energy Solutions	1	Sales	28,471	Note 2	-
			1	Purchase	9	Note 2	-
			1	Manufacturing expenses	492,029	Note 2	2%
			1	Research and development expenses	450	Note 2	-
			1	Interest income	123	Note 2	-
			1	Other income	6,352	Note 2	-
			1	Accounts payable	11,576	Note 2	-
			1	Accrued expenses and other current liabilities	84	Note 2	-
		Prime Energy	1	Rental income	60	Note 2	-
		New Ray Investment	1	Rental income	60	Note 2	-
			1	Dividend income	280	Note 2	-
		DelSolar Wu Jiang	1	Sales	3,013	Note 2	-
			1	Sell fixed assets	46,198	Note 2	-
			1	Purchase fixed assets	12,989	Note 2	-
			1	Purchase	2,773,787	Note 2	14%

(Continued)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
				Financial Statements Items	Amount	Terms	
0	NSP	DeSolar Wu Jiang DeSolar India DeSolar Cayman DeSolar Development	1 1 1 1	Accounts payable Other receivables Other receivables Other receivables	\$ 425,524 51,006 45,809 156	Note 2 Note 2 Note 2 Note 2	1% - - -
1	DSS-RAL-LLC	DeSolar Development	3	Other receivables	3,361	Note 2	-
General Energy Solutions	Yong Tang	Yong Tang	3	Sales	194,325	Note 2	1%
			3	Interest income	1,363	Note 2	-
			3	Rental income	70	Note 2	-
			3	Accounts receivable	117,361	Note 2	-
			3	Other receivables	101,227	Note 2	-
			3	Interest income	261	Note 2	-
			3	Rent income	70	Note 2	-
			3	Other payables	2,842	Note 2	-
			3	Sales	168,784	Note 2	1%
			3	Interest expense	35	Note 2	-
			3	Accounts receivable	171,762	Note 2	1%
			3	Prepaid legal and other expenses	4,737	Note 2	-
			3	Sales	73,501	Note 2	-
			3	Accounts receivable	74,170	Note 2	-
			3	Prepaid legal and other expenses	40,062	Note 2	-
			3	Interest income	40	Note 2	-
			3	Interest income	933	Note 2	-
			3	Sales	66	Note 2	-
			3	Prepaid legal and other expenses	33	Note 2	-
			3	Prepaid legal and other expenses	11,172	Note 2	-
			3	Advance receipts	791	Note 2	-
			3	Prepaid legal and other expenses	18,915	Note 2	-
1	GES USA	GES MEGATWO GES MEGAONE GES MEGATWO GES ASSET TIPPING POINT TIPPING POINT GES MEGAONE GES MEGATWO	3 3 3 3 3 3 3 3	Other receivables Other receivables Other receivables Interest income Interest receivable Other receivables Interest income Interest receivable Other receivables	8,414 17,561 210 320 320 31,610 974 332 109,996	Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2	- - - - - - - - 1%
1	Yong Tang	Yong Tang	3	Interest expense	7	Note 2	-
1	GES FUKUSHIMA	GES KYUSHU Hashimoto	3 3	Other receivables Other receivables	1,325 330	Note 2 Note 2	- -
1	GES JAPAN	Hashimoto GES KYUSHU	3 3	Other receivables Other receivables	23,186 3,728	Note 2 Note 2	- -
1	GES KYUSHU	Hashimoto	3	Other receivables	242	Note 2	-

Note 1: No. 1 represents the transaction from parent company to subsidiary; No. 2 represents the transaction from subsidiaries to parent company; No. 3 represents the transactions between subsidiaries.

Note 2: At normal commercial prices and terms.

(Concluded)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Neo Solar Power Corp.

We have reviewed the accompanying consolidated balance sheets of Neo Solar Power Corp. (NSP) and its subsidiaries (collectively referred to as the "Corporation") as of March 31, 2013 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2013 and 2014. These consolidated financial statements are the responsibility of NSP's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 4 to the consolidated financial statements, the financial statements of nonsignificant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2013 and 2014, combined total assets of these nonsignificant subsidiaries were NT\$1,601,032 thousand and NT\$3,825,559 thousand (US\$125,634 thousand), respectively, representing 7.66% and 10.71%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$579,821 thousand and NT\$2,281,375 thousand (US\$74,922 thousand), respectively, representing 5.68% and 14.44%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2013 and 2014, combined comprehensive loss of these subsidiaries were NT\$29,161 thousand and NT\$19,640 thousand (US\$645 thousand), respectively, representing 5.89% and 5.25%, respectively, of the consolidated total comprehensive (loss) income. As disclosed in Note 14 to the consolidated financial statements, investment accounted for by the equity method of NT\$3,177 thousand and NT\$0 (US\$0) as of March 31, 2013 and 2014, and the share of loss of investment accounted for by the equity method of NT\$471 thousand and NT\$0 (US\$0) for the three months ended March 31, 2013 and 2014, respectively, were calculated based on the financial statements that have not been reviewed. Also, the information disclosed in Note 39 to the consolidated financial statements, were based on unreviewed financial statements of the investees for the same reporting periods.

Based on our reviews, except for the effects of adjustments, if any, as might have been determined to be necessary had the financial statements and of these nonsignificant subsidiaries and investment accounted for by the equity method as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard

34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

Our reviews also comprehended the translation of the New Taiwan dollar amounts into U.S. dollar amounts, and this translation has been made in conformity with the basis stated in Note 6 to the consolidated financial statements.

Deloitte & Touche
Taipei, Taiwan
The Republic of China

May 6, 2014

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	March 31, 2013	December 31, 2013	March 31, 2014	LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 2013	December 31, 2013	March 31, 2014
	Reviewed NT\$	Audited NT\$	Reviewed NT\$ (Note 6)		Reviewed NT\$	Audited NT\$	Reviewed NT\$ (Note 6) US\$
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents (Notes 7 and 34)	\$ 4,526,590	\$ 6,372,612	\$ 6,046,247	Short-term bank loans (Notes 19, 34 and 36)	\$ 2,644,147	\$ 3,613,627	\$ 118,674
Financial assets at fair value through profit or loss - current (Notes 8 and 34)	-	22	7	Financial liabilities at fair value through profit or loss - current (Notes 8 and 34)	577	1,882	62
Notes and accounts receivable, net (Notes 11 and 34)	2,757,654	4,078,295	5,055,500	Accounts payable (Note 34)	1,361,714	2,707,497	88,916
Accounts receivable - related parties (Notes 11, 34 and 35)	-	264,427	477,550	Notes and accounts payable (Note 34)	29,752	883	29
Finance lease receivables (Notes 12, 15, 34 and 36)	20,637	56,335	61,494	Bonuses payable to employees and directors (Note 24)	2,868	139,582	4,584
Other receivables (Notes 11, 34 and 35)	57,606	61,957	87,866	Payables to contractors and equipment suppliers (Notes 34 and 35)	520,070	756,327	24,838
Current tax assets (Note 4)	4,305	24,420	12,053	Accrued expenses (Notes 21, 34 and 35)	925,726	1,182,851	38,846
Inventories (Note 13)	915,197	1,520,630	2,285,031	Current tax liabilities (Note 4)	-	10,201	284
Prepayments (Notes 17, 18, 35 and 37)	561,927	1,520,611	324,362	Receipts in advance (Note 35)	39,116	117,541	3,860
Other current assets (Notes 18, 34, 35 and 36)	109,819	1,593,722	1,438,871	Current portion of long-term bank loans (Notes 19, 34 and 36)	1,299,434	1,757,933	65,327
				Other current liabilities (Note 21)	7,114	97,413	3,199
Total current assets	8,953,735	14,237,031	15,788,981	Total current liabilities	6,830,518	10,615,478	348,619
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Available-for-sale financial assets - noncurrent (Notes 9 and 34)	876,973	222,750	217,420	Bonds payable (Notes 20, 34 and 36)	-	549,004	9,042
Financial assets carried at cost - noncurrent (Notes 10 and 34)	22,590	24,448	24,460	Long-term bank loans (Notes 19, 34 and 36)	3,292,465	4,708,754	150,528
Investment accounted for using the equity method (Note 14)	3,177	-	-	Provisions - noncurrent (Note 22)	68,085	159,098	5,755
Property, plant and equipment (Notes 15, 35 and 36)	9,182,555	15,606,909	15,596,304	Deferred tax liabilities (Note 4)	19,604	130,055	4,271
Intangible assets (Notes 16 and 30)	-	557,739	530,591	Guarantee deposits (Notes 34 and 35)	35	1,162	38
Deferred tax assets (Note 4)	19,604	49,936	47,271	Other noncurrent liabilities (Note 21)	-	17,011	559
Finance lease receivables - noncurrent (Notes 12, 15, 34 and 36)	247,778	1,652,582	1,679,977	Total noncurrent liabilities	3,380,189	5,558,962	170,193
Prepayments - noncurrent (Notes 18 and 37)	1,471,110	1,804,767	1,643,551	Total liabilities	10,210,707	15,101,260	518,812
Refundable deposits (Note 32)	40,705	63,365	103,148				
Prepayments for lease (Note 17)	23,952	31,027	30,998	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT			
Other noncurrent assets (Note 18)	48,172	61,447	54,369	(Notes 24, 29 and 31)			
Total noncurrent assets	11,936,616	20,074,970	19,928,089	Common shares	4,606,219	7,770,292	258,484
				Capital surplus	10,515,604	10,697,569	357,070
				Retained earnings	(4,792,318)	475,664	28,995
				Unappropriated earnings (accumulated deficit)	52,711	(86,508)	(2,603)
				Other equity	-	-	-
				Total equity attributable to shareholders of the parent	10,382,216	18,857,017	641,946
				NONCONTROLLING INTERESTS (Notes 24 and 31)	297,428	353,724	12,215
				Total equity	10,679,644	19,210,741	654,161
TOTAL	\$ 20,890,351	\$ 34,312,001	\$ 35,717,070	TOTAL	\$ 20,890,351	\$ 34,312,001	\$ 1,172,973

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated May 6, 2014)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Except (Loss) Earnings Per Share)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
NET SALES (Notes 25, 35 and 37)	\$ 2,591,023	\$ 7,277,299	\$ 238,992
COST OF SALES (Notes 13, 26, 35 and 37)	<u>(2,885,703)</u>	<u>(6,486,312)</u>	<u>(213,015)</u>
GROSS (LOSS) PROFIT	<u>(294,680)</u>	<u>790,987</u>	<u>25,977</u>
OPERATING EXPENSES (Notes 26 and 35)			
Selling	(99,950)	(152,823)	(5,019)
General and administrative	(93,559)	(155,641)	(5,111)
Research and development	<u>(50,529)</u>	<u>(113,633)</u>	<u>(3,732)</u>
Total operating expenses	<u>(244,038)</u>	<u>(422,097)</u>	<u>(13,862)</u>
OTHER INCOME AND EXPENSES (Notes 15 and 26)	<u>(50,530)</u>	<u>-</u>	<u>-</u>
(LOSS) INCOME FROM OPERATIONS	<u>(589,248)</u>	<u>368,890</u>	<u>12,115</u>
NONOPERATING INCOME AND EXPENSES			
Foreign exchange gain, net (Note 26)	12,088	70,592	2,318
Others (Notes 26 and 35)	2,801	3,564	117
Interest income (Note 26)	4,108	2,956	97
Finance costs (Note 26)	(29,843)	(54,202)	(1,780)
Loss on financial instruments at fair value through profit or loss	(785)	(6,617)	(217)
Share of loss of associates	(471)	-	-
Other gains and losses	<u>1,793</u>	<u>(1,632)</u>	<u>(54)</u>
Total nonoperating income and expenses	<u>(10,309)</u>	<u>14,661</u>	<u>481</u>
(LOSS) INCOME BEFORE INCOME TAX	<u>(599,557)</u>	<u>383,551</u>	<u>12,596</u>
INCOME TAX BENEFIT (Notes 4 and 27)	<u>-</u>	<u>839</u>	<u>28</u>
NET (LOSS) INCOME FOR THE PERIOD	<u>(599,557)</u>	<u>384,390</u>	<u>12,624</u>

(Continued)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Except (Loss) Earnings Per Share)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
OTHER COMPREHENSIVE INCOME (LOSS)			
(Note 26)			
Exchange differences on translating foreign operations	\$ 4,207	\$ (5,247)	\$ (172)
Unrealized loss on available-for-sale financial assets	<u>100,444</u>	<u>(5,330)</u>	<u>(175)</u>
Total other comprehensive income (loss)	<u>104,651</u>	<u>(10,577)</u>	<u>(347)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (494,906)</u>	<u>\$ 373,813</u>	<u>\$ 12,277</u>
NET (LOSS) INCOME ATTRIBUTABLE TO:			
Shareholders of the parent	\$ (592,765)	\$ 407,245	\$ 13,374
Noncontrolling interests	<u>(6,792)</u>	<u>(22,855)</u>	<u>(750)</u>
	<u>\$ (599,557)</u>	<u>\$ 384,390</u>	<u>\$ 12,624</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Shareholders of the parent	\$ (488,114)	\$ 396,668	\$ 13,027
Noncontrolling interests	<u>(6,792)</u>	<u>(22,855)</u>	<u>(750)</u>
	<u>\$ (494,906)</u>	<u>\$ 373,813</u>	<u>\$ 12,277</u>
(LOSS) EARNINGS PER SHARE (Note 28)			
Basic (loss) earnings per share	<u>\$ (1.29)</u>	<u>\$ 0.52</u>	<u>\$ 0.017</u>
Diluted (loss) earnings per share	<u>\$ (1.29)</u>	<u>\$ 0.51</u>	<u>\$ 0.017</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 6, 2014)

(Concluded)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Reviewed, Not Audited)

The accompanying notes are an integral part of the consolidated financial statements.

With Deloitte & Touche review report dated May 6, 2014)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) income before income tax	\$ (599,557)	\$ 383,551	\$ 12,596
Adjustments for:			
Depreciation	459,480	485,114	15,931
Amortization	-	27,235	894
Net loss on financial assets and liabilities at fair value through profit or loss	438	1,197	39
Provision for doubtful accounts	54,726	271	9
Allowance (reversal of allowance) for loss on inventories	2,752	(22,161)	(728)
Share of loss of associates	471	-	-
Reclassified from property, plant and equipment to expenses	-	14,561	478
Impairment loss on property, plant and equipment	50,530	-	-
Compensation cost of restricted shares for employees	7,236	16,993	558
Interest income	(8,372)	(21,600)	(709)
Finance costs	29,843	54,202	1,780
Net gain on foreign exchange, net	(13,063)	(47,992)	(1,576)
Changes in operating assets and liabilities:			
Notes and accounts receivable	(350,993)	(899,422)	(29,538)
Accounts receivable - related parties	-	(207,531)	(6,815)
Other receivables	(7,253)	(26,150)	(859)
Inventories	(418,372)	(742,240)	(24,376)
Prepayments (including noncurrent)	(351,493)	30,692	1,008
Other current assets	(61,329)	(152,905)	(5,021)
Notes and accounts payable	515,608	307,829	10,109
Accounts payable - related parties	6,933	(8,039)	(264)
Bonuses payable to employees and directors	(59)	60,487	1,986
Accrued expenses	(219,182)	(342,122)	(11,235)
Deferred revenue	-	17,011	559
Receipts in advance	28,258	55,625	1,827
Other current liabilities	(12,372)	85,422	2,805
Provisions	2,717	16,134	530
Income taxes refunded	-	3,393	111
Net cash used in operating activities	(883,053)	(910,445)	(29,901)

(Continued)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	\$ (298,564)	\$ (681,351)	\$ (22,376)
Decrease in restricted deposit	-	307,756	10,107
Decrease in pledged time deposits	3,648	-	-
Decrease in finance lease receivables	765	11,366	373
Interest received	8,442	21,855	718
Increase in refundable deposits	(21,343)	(39,794)	(1,307)
Decrease in refundable deposits	6,861	-	-
Increase in other noncurrent assets	(6,493)	(11,703)	(384)
Decrease in other noncurrent assets	<u>19,710</u>	<u>17,777</u>	<u>584</u>
Net cash used in investing activities	<u>(286,974)</u>	<u>(374,094)</u>	<u>(12,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term bank loans	1,602,615	3,520,874	115,628
Decrease in short-term bank loans	(1,926,386)	(2,671,989)	(87,750)
Proceeds from long-term bank loans	115,100	234,797	7,711
Repayments of long-term bank loans	(13,180)	(138,669)	(4,554)
Increase in guarantee deposits	-	24	1
Proceeds from the exercise of employee share options	758	-	-
Interest paid	(29,694)	(53,405)	(1,754)
Increase in noncontrolling interests	<u>110,978</u>	<u>42,626</u>	<u>1,400</u>
Net cash (used in) generated from financing activities	<u>(139,809)</u>	<u>934,258</u>	<u>30,682</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>16,903</u>	<u>23,916</u>	<u>785</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,292,933)</u>	<u>(326,365)</u>	<u>(10,719)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>5,819,523</u>	<u>6,372,612</u>	<u>209,281</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 4,526,590</u>	<u>\$ 6,046,247</u>	<u>\$ 198,562</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 6, 2014)

(Concluded)

NEO SOLAR POWER CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2014 (In Thousands, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATION

Neo Solar Power Corp. (NSP) was incorporated in the Republic of China on August 26, 2005. NSP specializes in manufacturing high-quality solar cells, solar cell modules and wafers. NSP's main business activities include designing, manufacturing and selling solar cells and doing other solar-related businesses. Its common shares have been listed on the Taiwan Stock Exchange (TSE) since January 2009. NSP also issued global depositary shares (GDS), which are listed on the Luxembourg Stock Exchange and have been traded on the Euro MTF Market of the Luxembourg Stock Exchange since July 2011. On May 31, 2013, NSP entered into a merger with DelSolar Co., Ltd., with NSP as the survivor entity. For the main business activities of NSP and its subsidiaries (collectively referred to as "the Corporation"), refer to Notes 4 and 40.

The consolidated financial statements are presented in NSP's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Board of Directors for issue on May 6, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. The 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, "IFRSs") in issue but not yet effective

Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC) on April 3, 2014, stipulated that the Corporation should apply the 2013 version of IFRSs endorsed by the FSC (collectively, "2013 Taiwan IFRSs") starting January 1, 2015.

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above 2013 Taiwan IFRSs has not had any material impact on the Corporation’s accounting policies:

1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities.” The Corporation considers whether it has control over other entities for consolidation. The Corporation has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

3) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

4) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

5) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Corporation will apply the above amendment in presenting the consolidated statement of comprehensive income, starting in 2015. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) on defined benefit plans) of associates accounted for using the equity method.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Corporation was continuingly to assess other possible impacts that the application of the 2013 Taiwan IFRSs version will have on the Corporation’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

b. IFRSs in issue but not yet endorsed by FSC

The Corporation has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC had not yet announced their effective dates.

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Note 3
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Note 3
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 to annual periods beginning on or after January 1, 2018.

Except for the following, the initial application of the above new, amended and revised standards and interpretations has not had any material impact on the Corporation's accounting policies.

1) IFRS 9 "Financial Instruments"

All recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, if these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding, they are generally measured at amortized cost at the end of accounting periods. All other financial assets are measured at their fair values at the balance sheet date. However, if the equity investment is not held for trading, the Corporation may make an irrevocable election to measure it at fair value through other comprehensive income, with only dividend income recognized in profit or loss.

For financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The change in the fair value of the financial liability due to changes in the credit risk of that liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss; this is known as a split presentation of fair value changes. The amount presented in other comprehensive income should not be reclassified to profit or loss.

If the above split presentation would create or increase an accounting mismatch in profit or loss, all fair value changes are recognized in profit or loss, and the gains or losses on these fair value changes are also recognized in profit or loss.

2) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement," the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets," introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit (CGU). The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. If the asset or CGU recoverable amount (based on fair value less costs of disposal) is determined using a present value technique, the discount rate used in determining impairment or impairment reversal should be disclosed.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 "Share-Based Payment," IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments," were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions of “performance condition” and “service condition.” The amendment clarifies that a performance target can be based on the operations of the Corporation or another entity in the same group (i.e., a non-market condition) or the market price of the equity instruments of the Corporation or another entity in the same group (i.e., a market condition); that a performance target might relate either to the performance of all or a part of the Corporation (e.g., a division); and that the period for achieving a performance target must not go beyond the end of the service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Corporation but also those of entities other than the Corporation.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should be provided only if the segments’ assets are regularly reported to the chief operating decision-maker.

IFRS 13 was amended to clarify that short-term receivables and payables with no stated interest rate can still be measured at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation is a related party of the Corporation. Consequently, the Corporation is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property,” were amended in this annual improvement.

IFRS 3 was amended to exclude from the scope of IFRS 3 the accounting for the formation of joint arrangements in the financial statements of the joint arrangement itself.

IFRS 13 was amended to clarify that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments” whether or not these contracts meet the definitions of financial assets or financial liabilities as stated in IAS 32 “Financial Instruments: Presentation.”

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation was continually assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to these consolidated financial statements was the same as those followed in the preparation of the Corporation's consolidated financial statements for the year ended December 31, 2013, except for those described below.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

1) Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership			Remark	
			March 31, 2013	December 31, 2013	March 31, 2014		
NSP	General Energy Solutions Inc. (“General Energy Solutions”)	Electronic component manufacturing and selling	66.49%	72.61%	72.61%	-	
	Prime Energy Corp. (“Prime Energy”)	Electronic component manufacturing and selling	100.00%	100.00%	100.00%	-	
	New Ray Investment Corp. (“New Ray Investment”)	Investment company	100.00%	100.00%	100.00%	-	
	DelSolar Holding Singapore Pte. Ltd. (“DelSolar Singapore”)	Investment company	-	100.00%	100.00%	Note 1	
	DelSolar Holding (Cayman) Ltd. (“DelSolar Cayman”)	Investment company	-	100.00%	100.00%	Note 1	
General Energy Solutions	Yong Tang Ltd. (“Yong Tang”)	Solar-related business	100.00%	100.00%	100.00%	-	
	Yong Liang Ltd. (“Yong Liang”)	Solar-related business	100.00%	100.00%	100.00%	-	
	Yong Han Ltd. (“Yong Han”)	Solar-related business	100.00%	100.00%	100.00%	-	
	Yong Zhou Ltd. (“Yong Zhou”)	Solar-related business	100.00%	100.00%	100.00%	-	
	General Energy Solutions International Co., Ltd. (“GES Samoa”)	Investment company	100.00%	100.00%	100.00%	-	
	GES JAPAN CORPORATION (“GES JAPAN”)	Investment company	-	100.00%	100.00%	-	
	Hashimoto Solar Power Station Co., Ltd (“Hashimoto”)	Solar-related business	-	100.00%	45.00%	Note 2	
	GES Global Co. Limited. (“GES BVI”)	Investment company	-	-	-	Note 3	
	General Energy Solutions UK Limited (“GES UK”)	Investment company	4.29%	-	-	Note 5	
	GES Samoa	GES UK	Investment company	95.71%	100.00%	100.00%	Note 5
	General Energy Solutions USA. Inc. (“GES USA”)	Investment company	8.91%	-	-	Note 5	
GES UK	GES USA	Investment company	91.09%	100.00%	100.00%	Note 5	
	GES FUKUSHIMA CORPORATION (“GES FUKUSHIMA”)	Solar-related business	100.00%	-	-	-	
GES USA	ET ENERGY SOLUTIONS LLC (“ET ENERGY”)	Solar-related business	100.00%	100.00%	100.00%	-	
	TIPPING POINT ENERGY COC PPA SPE-1, LLC (“TIPPING POINT”)	Solar-related business	-	100.00%	100.00%	-	
	GES MEGAONE, LLC (“MEGAONE”)	Solar-related business	-	-	100.00%	Note 4	
	GES MEGATWO, LLC (“MEGATWO”)	Solar-related business	-	-	-	Note 3	
	GES MEGATHREE, LLC (“MEGATHREE”)	Solar-related business	-	-	-	Note 3	
	GES ASSET ONE, INC. (“ASSET ONE”)	Solar-related business	-	-	-	Note 3	
	GES ASSET TWO, INC. (“ASSET TWO”)	Solar-related business	-	-	-	Note 3	
	GES JAPAN	GES KYUSHU CORPORATION (“GES KYUSHU”)	Solar-related business	-	100.00%	100.00%	-
		GES FUKUSHIMA CORPORATION (“GES FUKUSHIMA”)	Solar-related business	-	100.00%	100.00%	-

(Continued)

Investor	Investee	Main Business	% of Ownership			Remark
			March 31, 2013	December 31, 2013	March 31, 2014	
GES BVI	GES ASSET, INC. ("GES ASSET")	Solar-related business	-	-	-	Note 3
DelSolar	DelSolar India EPC Company Private Ltd. ("DelSolar India")	Solar-related business	-	100.00%	100.00%	Note 1
DelSolar Cayman	DelSolar (HK) Ltd. ("DelSolar HK")	Investment company	-	100.00%	100.00%	Note 1
	DelSolar US Holdings (Delaware) Corporation ("DelSolar US")	Investment company	-	100.00%	100.00%	Note 1
DelSolar US	DelSolar Development (Delaware) LLC ("DelSolar Development")	Solar-related business	-	100.00%	100.00%	Note 1
DelSolar HK	DelSolar (Wu Jiang) Ltd. ("DelSolar Wu Jiang")	Solar-related business	-	100.00%	100.00%	Note 1
DelSolar	DSS-USF PHX LLC	Solar-related business	-	100.00%	100.00%	Note 1
Development	DSS-RAL LLC	Solar-related business	-	100.00%	100.00%	Note 1

(Concluded)

Note 1: DelSolar Singapore, DelSolar Cayman, DelSolar India, DelSolar US, DelSolar HK, DelSolar Wu Jiang, DelSolar Development, DSS-USF PHX LLC and DSS-RAL LLC had been acquired because of a business combination occurred on May 31, 2013.

Note 2: General Energy Solutions holds a 45% interest in Hashimoto. As of March 31, 2014, General Energy Solutions could still control the composition of the Board of Directors and had power to govern the activities of Hashimoto; hence, Hashimoto was deemed a subsidiary of General Energy Solutions.

Note 3: GES BVI, GES ASSET, MEGATWO, MEGATHREE, ASSET ONE and ASSET TWO were deemed as subsidiaries of NSP in accordance with SIC 12 "Consolidation - Special Purpose Entities."

Note 4: MEGAONE was deemed as special purpose entity of NSP in 2013, and invested in January 2014.

Note 5: To simplify the organization structure, General Energy Solutions sold its entire shares of GES UK to its 100% owned subsidiary, GES Samoa; and sold GES Samoa's entire shares of GES USA to its 100% owned subsidiary, GES UK. The organization restructuring did not result in any gain or loss.

Except for DelSolar Wu Jiang, the above subsidiaries included in the consolidated financial statements were non-significant subsidiaries; their financial statements had not been reviewed.

c. Income taxes

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed annually and calculated by applying to an interim period's pretax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

6. TRANSLATION INTO U.S. DOLLARS

The Corporation maintains its accounts and expresses its consolidated financial statements in New Taiwan dollars. For convenience only, US dollar amounts presented in the accompanying consolidated financial statements have been translated from New Taiwan dollars, using the US Federal Reserve noon buying rate of NT\$30.45 to US\$1 on March 31, 2014. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been or could in the future be converted into US dollars at this or any other exchange rate.

7. CASH AND CASH EQUIVALENTS

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Demand deposits	\$ 2,814,447	\$ 5,270,233	\$ 4,865,506	\$ 159,787
Checking accounts	1,853	29,021	31,789	1,044
Cash on hand	341	641	581	18
Cash equivalents				
Bank acceptances	-	39,119	13,945	458
Time deposits	<u>1,709,949</u>	<u>1,033,598</u>	<u>1,134,426</u>	<u>37,255</u>
	<u>\$ 4,526,590</u>	<u>\$ 6,372,612</u>	<u>\$ 6,046,247</u>	<u>\$ 198,562</u>

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Financial assets at FVTPL</u>				
Interest swap contracts (a)	\$ -	\$ 22	\$ 7	\$ -
Convertible bonds designated as at FVTPL (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 7</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL</u>				
Interest swap contracts (a)	\$ 536	\$ 700	\$ 778	\$ 26
Foreign exchange forward contracts (c)	<u>41</u>	<u>-</u>	<u>1,104</u>	<u>36</u>
	<u>\$ 577</u>	<u>\$ 700</u>	<u>\$ 1,882</u>	<u>\$ 62</u>

- a. At the end of the reporting period, outstanding interest swap contracts consisted of the following:

Contract Amount (In Thousands)	Maturity Period	Interest Rates - Payments	Interest Rates - Receipts
<u>March 31, 2013</u>			
NT\$ 50,100	December 27, 2012-December 27, 2017	1.085%	0.894% (floating)
117,200	January 30, 2013-January 30, 2018	1.170%	0.894% (floating)
<u>December 31, 2013</u>			
NT\$ 117,200	January 30, 2013-January 30, 2018	1.170%	0.896% (floating)
67,100	August 2, 2013-August 2, 2018	1.440%	0.896% (floating)
50,100	December 27, 2012-December 27, 2017	1.085%	0.897% (floating)
35,670	September 24, 2013-September 24, 2018	1.350%	0.897% (floating)
25,700	May 28, 2013-May 28, 2018	1.150%	0.899% (floating)
<u>March 31, 2014</u>			
NT\$ 117,200	January 30, 2013-January 30, 2018	1.170%	0.858% (floating)
67,100	August 2, 2013-August 2, 2018	1.440%	0.858% (floating)
50,100	December 27, 2012-December 27, 2017	1.085%	0.875% (floating)
35,670	September 24, 2013-September 24, 2018	1.350%	0.875% (floating)
25,700	May 28, 2013-May 28, 2018	1.150%	0.875% (floating)

The Corporation entered into derivative transactions during the three months ended March 31, 2013 and 2014 to manage exposures of assets and liabilities to interest rate changes. Since the interest rate swaps held by the Corporation did not meet the criteria for hedge effectiveness, they were not subjected to hedge accounting.

- b. In May 2013, NSP subscribed for the convertible bonds of Conergy AG, with 7% interest rate and aggregate face value of EUR2,288 thousand. The bonds were convertible between May 15, 2013 and June 30, 2015. Interest of 7% per annum was payable quarterly until the conversion of bonds. Each bond entitled the holder to subscribe for one ordinary share of Conergy AG at a price of EUR1.05 before the settlement date. On July 5, 2013, Conergy AG filed for insolvency due to financial difficulties; the Corporation recognized a loss of NT\$88,950 thousand for the second quarter of 2013.
- c. At the end of the reporting period, outstanding foreign exchange forward contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)		
<u>March 31, 2013</u>					
Sell	Sell USD/Buy NTD	April 12, 2013	USD 2,000/ NTD		59,760
Sell	Sell USD/Buy NTD	April 15, 2013	USD 2,000/ NTD		59,706
<u>March 31, 2014</u>					
Sell	Sell USD/Buy NTD	April 10, 2014	USD 3,000/ NTD		90,765
Sell	Sell USD/Buy NTD	April 17, 2014	USD 2,000/ NTD		60,486

The Corporation entered into derivative transactions during the three months ended March 31, 2013 and 2014 to manage exposures of assets and liabilities denominated in foreign currency related to exchange rate changes. Since the foreign exchange forward contracts held by the Corporation did not meet the criteria for hedge effectiveness, these contracts were not subject to hedge accounting.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Noncurrent</u>				
Domestic quoted shares				
ThinTech Materials Technology Co., Ltd. (TTMC)	\$ 222,930	\$ 222,750	\$ 217,420	\$ 7,140
DelSolar Co., Ltd. ("DelSolar") (Note 30)	<u>654,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 876,973</u>	<u>\$ 222,750</u>	<u>\$ 217,420</u>	<u>\$ 7,140</u>

As of March 31, 2013 and December 31, 2013, and March 31, 2014, the carrying amount of the Corporation's investment in TTMC's private-placement shares amounted to NT\$193,130 thousand, NT\$193,550 thousand and NT\$189,070 thousand (US\$6,209 thousand), respectively; under Article 43-8 of the Securities and Exchange Act, there is a legally enforceable restriction on private-placement shares, which prevents their trading.

10. FINANCIAL ASSETS CARRIED AT COST

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Overseas unlisted common shares				
SUN APPENNINO CORPORATION	\$ 22,590	\$ 22,590	\$ 22,590	\$ 742
FICUS CAPITAL CORPORATION	-	1,259	1,259	41
TG ENERGY SOLUTIONS LCC	<u>-</u>	<u>599</u>	<u>611</u>	<u>20</u>
	<u>\$ 22,590</u>	<u>\$ 24,448</u>	<u>\$ 24,460</u>	<u>\$ 803</u>
Classified according to financial asset measurement categories				
Available-for-sale financial assets	<u>\$ 22,590</u>	<u>\$ 24,448</u>	<u>\$ 24,460</u>	<u>\$ 803</u>

11. NOTES AND ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	March 31, 2013 NT\$	December 31, 2013 NT\$	March 31, 2014 NT\$	US\$ (Note 6)
<u>Notes and accounts receivable</u>				
Notes and accounts receivable	\$ 2,872,983	\$ 4,085,623	\$ 5,063,073	\$ 166,275
Accounts receivable - related parties	-	264,427	477,550	15,683
Less: Allowance for impairment loss	<u>(115,329)</u>	<u>(7,328)</u>	<u>(7,573)</u>	<u>(249)</u>
	<u>\$ 2,757,654</u>	<u>\$ 4,342,722</u>	<u>\$ 5,533,050</u>	<u>\$ 181,709</u>
<u>Other receivables</u>				
Sales tax refund receivable	\$ 46,373	\$ 59,764	\$ 80,963	\$ 2,659
Factored accounts receivable	6,489	-	-	-
Others	<u>4,744</u>	<u>2,193</u>	<u>6,903</u>	<u>227</u>
	<u>\$ 57,606</u>	<u>\$ 61,957</u>	<u>\$ 87,866</u>	<u>\$ 2,886</u>

a. Notes and accounts receivable

For the accounts receivables that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were considered recoverable. In addition, the Corporation had obtained proper collateral or other credit enhancements for these receivables. As of March 31, 2013, December 31, 2013 and March 31, 2014, the amounts of collaterals or other credit enhancements for these receivables were NT\$391,081 thousand, NT\$193,224 thousand and NT\$508,736 thousand (US\$16,707 thousand), respectively. The Corporation had no legal right to offset the receivables against any amounts owed by the Corporation to the counterparties.

The aging of receivables that were past due but not impaired was as follows:

	March 31, 2013 NT\$	December 31, 2013 NT\$	March 31, 2014 NT\$	US\$ (Note 6)
Up to 60 days	\$ 77,297	\$ 261,319	\$ 703,041	\$ 23,088
61-90 days	83,693	23,826	-	-
91-120 days	86,402	-	-	-
More than 120 days	<u>218,100</u>	<u>133,075</u>	<u>176,624</u>	<u>5,800</u>
	<u>\$ 465,492</u>	<u>\$ 418,220</u>	<u>\$ 879,665</u>	<u>\$ 28,888</u>

Above analysis was based on the past due date.

Movements in the allowance for impairment loss recognized on notes receivable and accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
	NT\$	NT\$	NT\$
Balance at January 1, 2013	\$ 60,603	\$ -	\$ 60,603
Impairment loss recognized on receivables	<u>54,726</u>	<u>-</u>	<u>54,726</u>
Balance at March 31, 2013	<u>\$ 115,329</u>	<u>\$ -</u>	<u>\$ 115,329</u>
Balance at January 1, 2014	\$ 7,328	\$ -	\$ 7,328
Impairment loss recognized on receivables	1,325	-	1,325
Uncollectible amounts written off	(1,054)	-	(1,054)
Translation adjustments	<u>(26)</u>	<u>-</u>	<u>(26)</u>
Balance at March 31, 2014	<u>\$ 7,573</u>	<u>\$ -</u>	<u>\$ 7,573</u>
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
Balance at January 1, 2014	\$ 241	\$ -	\$ 241
Impairment loss recognized on receivables	44	-	44
Uncollectible amounts written off	(35)	-	(35)
Translation adjustments	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Balance at March 31, 2014	<u>\$ 249</u>	<u>\$ -</u>	<u>\$ 249</u>

Allowance for impairment loss included individually impaired accounts receivables amounting to NT\$115,329 thousand, NT\$7,328 thousand and NT\$7,573 thousand (US\$249 thousand) as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively. These amounts relate to the Corporation's risk control process involving customers with tight cash flows. The impairment recognized represents the difference between the carrying amount of these accounts receivables and the present value of the expected proceeds received from liquidation. The Corporation did not hold any collateral on these impaired receivables.

The factored accounts receivable are summarized as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line
<u>Three months ended March 31,</u> <u>2013</u>					
Chang Hwa Bank	US\$ 563	US\$ 347	-	-	US\$ 1,000

The above credit lines can be used on a revolving basis.

Based on the factoring agreements, losses from commercial disputes (such as those on sales returns and discounts) should be borne by the Corporation, while losses from credit risk should be borne by the financial institutions.

The Corporation did not have factoring agreements for the three months ended March 31, 2014.

As of March 31, 2013, the retentions of US\$216 thousand on the factored accounts receivable were recorded under other receivables.

b. Other receivables

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Other receivables	\$ 57,606	\$ 61,957	\$ 87,866	\$ 2,886
Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,606</u>	<u>\$ 61,957</u>	<u>\$ 87,866</u>	<u>\$ 2,886</u>

The status of other receivables at the end of the reporting period is presented in the following table, which shows that other receivables had not been impaired.

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Neither past due nor impaired	\$ 57,606	\$ 61,957	\$ 87,866	\$ 2,886
Past due but not impaired	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,606</u>	<u>\$ 61,957</u>	<u>\$ 87,866</u>	<u>\$ 2,886</u>

12. FINANCE LEASE RECEIVABLES

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Gross investment in leases</u>				
Not later than one year	\$ 9,795	\$ 185,568	\$ 252,072	\$ 8,278
Over one year and to five years	115,202	731,184	786,485	25,829
Later than five years	<u>371,636</u>	<u>2,233,614</u>	<u>2,311,589</u>	<u>75,915</u>
	496,633	3,150,366	3,350,146	110,022
Less: Unearned finance income	<u>228,218</u>	<u>1,441,449</u>	<u>1,608,675</u>	<u>52,830</u>
Present value of minimum lease payments	<u>\$ 268,415</u>	<u>\$ 1,708,917</u>	<u>\$ 1,741,471</u>	<u>\$ 57,192</u>

The Corporation entered into several electricity purchase agreements (refer to Note 37) for the Corporation to sell all electricity to Taiwan Power Company, Indianapolis Power & Light Company, etc. after the electric generating facilities are operating with distribution system. The average term of finance leases entered into was 20 years. Since these agreements were covered by IFRIC 4 "Determining Whether an Arrangement contains a Lease" and IAS 17 "Leases," they were accounted for as finance lease.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The effective interest rate contracted was 4.800% to 6.918% per annum.

The amounts of finance lease receivables pledged as collateral for bank loans are shown in Note 36.

The finance lease receivables as of March 31, 2014 were neither past due nor impaired.

13. INVENTORIES

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Finished goods	\$ 332,528	\$ 533,787	\$ 991,444	\$ 32,560
Work in progress	120,443	454,228	254,049	8,343
Raw materials	<u>462,226</u>	<u>532,615</u>	<u>1,039,538</u>	<u>34,139</u>
	<u>\$ 915,197</u>	<u>\$ 1,520,630</u>	<u>\$ 2,285,031</u>	<u>\$ 75,042</u>

Allowances for inventory losses were NT\$436,352 thousand, NT\$294,834 thousand and NT\$272,571 thousand (US\$8,951 thousand) as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively.

For the three months ended March 31, 2013, the cost of sales related to inventories was NT\$2,885,703 thousand, which included (1) unallocated fixed manufacturing overheads of NT\$110,428 thousand; (2) income of NT\$9,576 thousand from the sale of scraps; and (3) provision of NT\$2,752 thousand for losses on inventories.

For the three months ended March 31, 2014, the cost of sales related to inventories was NT\$6,486,312 thousand (US\$213,015 thousand), which included (1) unallocated fixed manufacturing overheads of NT\$26,762 thousand (US\$879 thousand); (2) income of NT\$13,068 thousand (US\$429 thousand) from the sale of scraps; (3) loss of NT\$1,952 thousand (US\$64 thousand) from the disposal of obsolete inventories; and (4) a reversal of allowance for losses on inventories amounting to NT\$22,161 thousand (US\$728 thousand). The reversal was due to the selling of obsolete inventory and the decrease in unit cost of products.

No inventory had been pledged as security for the Corporation's bank loans.

14. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Investment in associate</u>				
Overseas unlisted company				
Renewable Energies Co., Ltd.				
("Renewable")	<u>\$ 3,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At the end of the reporting period, the proportion of ownership and voting rights in the associate held by the Corporation were as follows:

Associate	March 31, 2013	December 31, 2013	March 31, 2014
Renewable	50%	50%	50%

In December 2012, GES Samoa, through GES UK, jointly established with a third party a company, Renewable, which specializes in solar-related business. As of March 31, 2014, GES UK had a 50% equity interest in Renewable and had two of five seats of Renewable's board but did not have the power to govern or jointly control the financial and operating policies of Renewable; thus, Renewable was accounted for under the equity method.

In the third quarter of 2013, on the basis of the estimated recoverable amount of Renewable, the Corporation recognized an impairment loss of NT\$2,044 thousand, which was recorded under nonoperating income and expenses - other gains and losses.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed. Management believes there would have been no material impact on the calculation of the share of profit or loss and other comprehensive income had the equity-method investee's financial statements been reviewed.

The investment in the associate had not been pledged as collateral for bank loans.

15. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2013 NT\$	December 31, 2013 NT\$	March 31, 2014 NT\$	US\$ (Note 6)
<u>Carrying amounts</u>				
Land	\$ 440,596	\$ 440,596	\$ 440,596	\$ 14,469
Buildings	2,383,819	3,812,516	3,754,289	123,294
Machinery and equipment	5,710,919	9,290,238	9,356,183	307,264
Research and development equipment	8,333	10,277	9,660	318
Office equipment	5,847	55,006	50,172	1,647
Rental assets	-	147,494	145,324	4,772
Leasehold improvements	1,963	286,716	284,291	9,336
Miscellaneous equipment	83,263	209,522	195,141	6,409
Advance payments and construction in progress	547,815	1,354,544	1,360,648	44,685
	<u>\$ 9,182,555</u>	<u>\$ 15,606,909</u>	<u>\$ 15,596,304</u>	<u>\$ 512,194</u>

Three Months Ended March 31, 2013

	Balance, Beginning of Period	Additions	Deduction	Reclassification	Balance, End of Period
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>					
Land	\$ 440,596	\$ -	\$ -	\$ -	\$ 440,596
Buildings	2,740,925	-	-	-	2,740,925
Machinery and equipment	10,431,530	47,707	-	42,385	10,521,622
Research and development equipment	11,803	-	-	1,549	13,352
Office equipment	14,231	-	-	-	14,231
Leasehold improvements	2,632	-	-	-	2,632
Miscellaneous equipment	173,254	2,051	-	515	175,820
Advance payments and construction in progress	624,963	269,180	(269,180)	(44,449)	580,514
	<u>14,439,934</u>	<u>\$ 318,938</u>	<u>\$ (269,180)</u>	<u>\$ -</u>	<u>14,489,692</u>
<u>Accumulated depreciation</u>					
Buildings	324,283	\$ 32,823	\$ -	\$ -	357,106
Machinery and equipment	4,296,896	416,293	-	-	4,713,189
Research and development equipment	4,426	593	-	-	5,019
Office equipment	7,573	811	-	-	8,384
Leasehold improvements	606	63	-	-	669
Miscellaneous equipment	83,660	8,897	-	-	92,557
	<u>4,717,444</u>	<u>\$ 459,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,176,924</u>
<u>Accumulated impairment</u>					
Machinery and equipment	46,984	\$ 50,530	\$ -	\$ -	97,514
Advance payments and construction in progress	32,699	-	-	-	32,699
	<u>79,683</u>	<u>\$ 50,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>130,213</u>
	<u>\$ 9,642,807</u>				<u>\$ 9,182,555</u>

Three Months Ended March 31, 2014

	Balance, Beginning of Period	Additions	Deduction	Reclassification	Translation Adjustments	Balance, End of Period
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>						
Land	\$ 440,596	\$ -	\$ -	\$ -	\$ -	\$ 440,596
Buildings	4,326,966	-	-	-	-	4,326,966
Machinery and equipment	15,137,312	213,634	-	251,866	(14,631)	15,588,181
Research and development equipment	17,960	331	-	-	-	18,291
Office equipment	73,107	72	-	164	(94)	73,249
Rental assets	164,802	-	-	-	3,752	168,554
Leasehold improvements	308,184	3,412	-	3,412	(2,360)	312,648
Miscellaneous equipment	349,765	813	-	1,732	(318)	351,992
Advance payments and construction in progress	1,387,243	223,651	(25,312)	(199,932)	7,697	1,393,347
	<u>22,205,935</u>	<u>\$ 441,913</u>	<u>\$ (25,312)</u>	<u>\$ 57,242</u>	<u>\$ (5,954)</u>	<u>22,673,824</u>
<u>Accumulated depreciation</u>						
Buildings	514,450	\$ 58,227	\$ -	\$ -	\$ -	572,677
Machinery and equipment	5,749,560	391,266	-	-	(6,342)	6,134,484
Research and development equipment	7,683	948	-	-	-	8,631
Office equipment	18,101	5,033	-	-	(57)	23,077
Rental assets	17,308	4,889	-	-	1,033	23,230
Leasehold improvements	21,468	7,986	-	-	(1,097)	28,357
Miscellaneous equipment	140,243	16,765	-	-	(157)	156,851
	<u>6,468,813</u>	<u>\$ 485,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,620)</u>	<u>6,947,307</u>
<u>Accumulated impairment</u>						
Machinery and equipment	97,514	\$ -	\$ -	\$ -	\$ -	97,514
Advance payments and construction in progress	32,699	-	-	-	-	32,699
	<u>130,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>130,213</u>
	<u>\$ 15,606,909</u>					<u>\$ 15,596,304</u>

Three Months Ended March 31, 2014						
	Balance, Beginning of Period US\$ (Note 6)	Additions US\$ (Note 6)	Deduction US\$ (Note 6)	Reclassification US\$ (Note 6)	Translation Adjustments US\$ (Note 6)	Balance, End of Period US\$ (Note 6)
<u>Cost</u>						
Land	\$ 14,469	\$ -	\$ -	\$ -	\$ -	\$ 14,469
Buildings	142,101	-	-	-	-	142,101
Machinery and equipment	497,120	7,016	-	8,271	(480)	511,927
Research and development equipment	590	11	-	-	-	601
Office equipment	2,401	2	-	5	(3)	2,405
Rental assets	5,412	-	-	-	123	5,535
Leasehold improvements	10,121	112	-	112	(78)	10,267
Miscellaneous equipment	11,487	27	-	57	(10)	11,561
Advance payments and construction in progress	45,558	7,345	(831)	(6,566)	253	45,759
	<u>729,259</u>	<u>\$ 14,513</u>	<u>\$ (831)</u>	<u>\$ 1,879</u>	<u>\$ (195)</u>	<u>744,625</u>
<u>Accumulated depreciation</u>						
Buildings	16,895	\$ 1,912	\$ -	\$ -	\$ -	18,807
Machinery and equipment	188,820	12,849	-	-	(208)	201,461
Research and development equipment	252	31	-	-	-	283
Office equipment	595	165	-	-	(2)	758
Rental assets	568	161	-	-	34	763
Leasehold improvements	705	262	-	-	(36)	931
Miscellaneous equipment	4,606	551	-	-	(5)	5,152
	<u>212,441</u>	<u>\$ 15,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (217)</u>	<u>228,155</u>
<u>Accumulated impairment</u>						
Machinery and equipment	3,202	\$ -	\$ -	\$ -	\$ -	3,202
Advance payments and construction in progress	1,074	-	-	-	-	1,074
	<u>4,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,276</u>
	<u>\$ 512,542</u>					<u>\$ 512,194</u>

NSP assessed that there was indications of impairment on machinery and equipment, and the recoverable amount of machinery and equipment is estimated to be less than its carrying amount, thus NSP recognized impairment losses on machinery and equipment of NT\$50,530 thousand for the three months ended March 31, 2013.

Property, plant and equipment were depreciated on a straight-line basis over the following estimated useful lives of the assets:

Buildings	15-21 years
Machinery and equipment	4-11 years (Note)
Research and development equipment	4-6 years
Office equipment	4 years
Rental assets	10 years
Leasehold improvements	4-11 years
Miscellaneous equipment	4-16 years

Note: NSP extended the useful lives of certain items of machinery and equipment from 6 years to 8 or 11 years from April 1, 2013.

The major components of the buildings held by the Corporation included plants and electric-powered machinery, etc., which were depreciated over their estimated useful lives of 15 to 21 years.

Refer to Note 36 for the carrying amount of property, plant and equipment pledged by the Corporation to secure borrowings.

For the three months ended March 31, 2013 and 2014, the deduction included NT\$269,180 thousand and NT\$25,312 thousand (US\$831 thousand), respectively, which were transferred to finance lease receivables.

For the three months ended March 31, 2014, there were reclassification from prepayments for equipment of NT\$71,803 thousand (US\$2,358 thousand) to advance payments and construction in progress, and from advance payments and construction in progress of NT\$14,561 thousand (US\$478 thousand) to other expenses.

16. INTANGIBLE ASSETS

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Carrying amounts of each class</u>				
Goodwill (Note 30)	\$ -	\$ 512,440	\$ 512,440	\$ 16,829
Brands	-	45,299	18,151	596
	<u>\$ -</u>	<u>\$ 557,739</u>	<u>\$ 530,591</u>	<u>\$ 17,425</u>
			Brands	
			NT\$	US\$ (Note 6)
<u>Cost</u>				
Balance at January 1, 2014			\$ 109,102	\$ 3,583
Translation adjustments			(196)	(6)
Balance at March 31, 2014			<u>108,906</u>	<u>3,577</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2014			(63,803)	(2,095)
Amortization			(27,235)	(894)
Translation adjustments			283	8
Balance at March 31, 2014			<u>(90,755)</u>	<u>(2,981)</u>
			<u>\$ 18,151</u>	<u>\$ 596</u>

The above items of other intangible assets were depreciated on a straight-line basis over one year.

As of March 31, 2014, the Corporation did not recognize any impairment loss on goodwill.

No intangible assets had been pledged as collateral for the Corporation's bank loans.

17. PREPAYMENTS FOR LEASE

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Current assets	\$ 1,202	\$ 3,415	\$ 1,664	\$ 55
Noncurrent assets	<u>23,952</u>	<u>31,027</u>	<u>30,998</u>	<u>1,018</u>
	<u>\$ 25,154</u>	<u>\$ 34,442</u>	<u>\$ 32,662</u>	<u>\$ 1,073</u>

Prepayments for lease, which mainly included land use rights paid for power facility construction in the U.S., were amortized on a straight-line basis over 30 years. As of March 31, 2014, such land use rights amounted to NT\$23,552 thousand (US\$773 thousand). The Corporation had obtained the certificates on land use rights.

18. PREPAYMENTS AND OTHER ASSETS

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Prepayments</u>				
Payments in advance	\$ 2,000,525	\$ 1,953,751	\$ 1,900,792	\$ 62,423
Prepayments for equipment	8,673	69,000	14,054	462
Others	<u>23,839</u>	<u>46,627</u>	<u>53,067</u>	<u>1,742</u>
	<u>\$ 2,033,037</u>	<u>\$ 2,069,378</u>	<u>\$ 1,967,913</u>	<u>\$ 64,627</u>
<u>Other assets</u>				
Prepaid sales tax	\$ 8	\$ 1,166,070	\$ 1,288,440	\$ 42,313
Restricted deposits	-	368,359	60,603	1,990
Prepaid legal and other expenses	99,092	16,660	48,587	1,596
Pledged time deposits	5,080	10,625	10,625	349
Others	<u>53,811</u>	<u>93,455</u>	<u>84,985</u>	<u>2,792</u>
	<u>\$ 157,991</u>	<u>\$ 1,655,169</u>	<u>\$ 1,493,240</u>	<u>\$ 49,040</u>
<u>Prepayments</u>				
Current	\$ 561,927	\$ 264,611	\$ 324,362	\$ 10,652
Noncurrent	<u>1,471,110</u>	<u>1,804,767</u>	<u>1,643,551</u>	<u>53,975</u>
	<u>\$ 2,033,037</u>	<u>\$ 2,069,378</u>	<u>\$ 1,967,913</u>	<u>\$ 64,627</u>

(Continued)

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Other assets</u>				
Current	\$ 109,819	\$ 1,593,722	\$ 1,438,871	\$ 47,254
Noncurrent	<u>48,172</u>	<u>61,447</u>	<u>54,369</u>	<u>1,786</u>
	<u>\$ 157,991</u>	<u>\$ 1,655,169</u>	<u>\$ 1,493,240</u>	<u>\$ 49,040</u>
				(Concluded)

The Corporation recognized impairment loss on prepayments after assessment; please refer to Note 37.

19. LOANS

a. Short-term bank loans

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Working capital loans - interest at 0.9670%-2.9459% in 2013; 1.307%-3.033% in 2014	<u>\$ 2,644,147</u>	<u>\$ 2,732,789</u>	<u>\$ 3,613,627</u>	<u>\$ 118,674</u>

b. Long-term bank loans

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Syndicated loans: lead bank - Taiwan Cooperative Bank Repayable semiannually from November 2012 to November 2015; repayment of 10% each period before 2015 and 40% on the last payment, with annual floating interest rates at 1.5926%-1.8288% in 2013 and 1.5926%-2.4745% in 2014	\$ 2,254,920	\$ 1,755,308	\$ 1,752,857	\$ 57,565
Repayable semiannually from November 2012 to November 2015, with annual floating interest rates at 1.5442% in 2013 and 1.5442%-1.5526% in 2014	2,126,076	1,413,112	1,413,112	46,408
				(Continued)

	March 31, 2013 NT\$	December 31, 2013 NT\$	March 31, 2014 NT\$	US\$ (Note 6)
Syndicated loans: lead bank - China Trust Bank				
Repayable semiannually from February 2012 to August 2016; repayment of 50% before February 2013; repayment of 10% on fourth to sixth repayments; and repayment of 40% for the remaining period until August 2016; with annual floating interest rate at 2.5232% in 2013 and 2.4821% in 2014	\$ -	\$ 1,094,667	\$ 1,009,333	\$ 33,147
Repayable in August 2016, with annual floating interest rate at 2.6800% in 2013 and 2.6589% in 2014	-	1,000,000	1,000,000	32,841
Secured loan from Cathay United Bank				
Repayable quarterly from November 2013 to October 2026; repayment of at least US\$6,500 thousand on the first installment, with annual floating interest at 3.5376% in 2013 and 3.5336%-3.5376% in 2014	-	733,775	747,495	24,548
Secured loans from First Bank				
Repayable quarterly from September 2011 to June 2015, with annual floating interest at 2.08%	50,478	39,661	36,056	1,184
Repayable monthly from November 2013 to October 2020, with annual floating interest at 3.42%	-	29,206	28,266	928
Repayable monthly from January 2014 to December 2020, with annual floating interest at 3.42% in 2014	-	-	36,189	1,188
Repayable monthly from February 2014 to January 2021, with annual floating interest at 3.42% in 2014	-	-	3,316	109

(Continued)

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Secured loans from EnTie Bank				
Repayable monthly from December 2012 to November 2019, with annual floating interest rates at 3.793% in 2013 and 3.75%-3.751% in 2014	\$ 160,425	\$ 239,060	\$ 230,958	\$ 7,585
Repayable monthly from May 2013 to April 2020, with annual floating interest rate at 3.793% in 2013 and 3.751% in 2014	-	23,901	23,130	760
Secured loan from Mega Bank				
Repayable monthly from May 2013 to April 2020, with annual floating interest rate at 3.5%	-	29,870	29,355	964
Secured loan from Far Eastern International Bank				
Repayable monthly from March 2014 to February 2021, with annual floating interest rate at 3.296% in 2014	-	-	75,163	2,468
Other borrowings				
Repayable monthly from August 2013 to July 2023	-	49,338	48,832	1,604
Repayable monthly from January 2014 to December 2015	-	-	45,765	1,503
Repayable monthly from January 2014 to December 2023	-	-	45,737	1,502
Repayable monthly from August 2013 to July 2015	-	37,307	30,113	989
Repayable monthly from June 2013 to December 2015	-	21,482	17,121	562
	<u>4,591,899</u>	<u>6,466,687</u>	<u>6,572,798</u>	<u>215,855</u>
Current portion	<u>(1,299,434)</u>	<u>(1,757,933)</u>	<u>(1,989,219)</u>	<u>(65,327)</u>
	<u>\$ 3,292,465</u>	<u>\$ 4,708,754</u>	<u>\$ 4,583,579</u>	<u>\$ 150,528</u> (Concluded)

Other borrowings were fixed-rate loans from a finance company. As of December 31, 2013 and March 31, 2014, the latest maturity of other borrowings was by January 2024. The annual effective interest rate was 6.36% to 6.97%.

The loan agreements require the maintenance of certain financial ratios based on NSP's annual and semiannual financial reports. The related restrictions are as follows:

Taiwan Cooperative Bank syndicated loan:

- 1) Current ratio (Current assets /Current liabilities): At least 100%;
- 2) Debt to equity ratio (Total financial liabilities/Total shareholders' equity): No more than 110%;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/Interest expense]: At least 2. The income before tax should not include the amount of valuation of financial liabilities.
- 4) Tangible net worth: At least NT\$6,000,000 thousand (US\$197,044 thousand).

As of March 31, 2014, NSP was in compliance with aforementioned financial covenants.

NSP had acquired syndicated loans, with China Trust Bank as lead bank, because of a business combination. NSP renegotiated the loans with the banking syndicate, resulting in new loan agreements. These agreements require the maintenance of certain financial ratios based on NSP's consolidated annual and semiannual financial reports. The related restrictions are as follows:

China Trust Bank-led syndicated loan:

- 1) Current ratio (Current asserts/Current liabilities): At least 100%;
- 2) Debt to equity ratio (Total liabilities/Total shareholders' equity): No more than 100%;
- 3) Interest coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/Interest expense]: At least 3.
- 4) Tangible net worth: At least NT\$4,000,000 thousand (US\$131,363 thousand).

NSP did not meet the required debt to equity ratio as of June 30, 2013, thus, NSP accrued the related compensation expenses, as required under the loan agreement.

As of March 31, 2014, NSP was in compliance with aforementioned financial covenants.

Secured loan from EnTie Bank:

The loan agreement requires the maintenance of certain financial ratios based on General Energy Solutions's consolidated annual and semiannual financial reports. The related restrictions are as follows:

- 1) Debt to equity ratio (Total liabilities and contingent liabilities/Total shareholders' equity): No more than 300%;
- 2) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/principle and interest paid in current year]: At least 1.

As of March 31, 2014, General Energy Solutions was in compliance with the above ratio requirements, except for the debt service coverage ratio. Nevertheless, breaking the requirement was not considered a breach. If General Energy Solutions improves the interest coverage ratio by the next compliance examination date, General Energy Solutions will not have to pay the compensation.

Secured loan from Cathay United Bank:

The loan agreement requires the maintenance of certain financial ratios based on ET ENERGY's quarterly financial reports. The related restriction is as follows:

- 1) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/principle paid in current year]: No less than 125%.

ET ENERGY was not able to meet the required debt service coverage ratio as of December 31, 2013 and March 31, 2014; thus, according to the agreements ET ENERGY only needed to increase the restricted deposits.

Secured loan from Far Eastern International Bank:

The loan agreements require the maintenance of certain financial ratios based on General Energy Solutions's annual financial reports. The related restrictions are as follows:

- 1) Debt to equity ratio (Total liabilities and contingent liabilities/Total shareholders' equity): No more than 150%;
- 2) Debt service coverage ratio [(Income before tax + Depreciation + Amortization + Interest expense)/principle paid in current year]: At least 3.
- 3) Tangible net worth: At least NT\$1,100,000 thousand (US\$36,125 thousand).

As of March 31, 2014, General Energy Solutions was in compliance with the above ratio requirements, except that for the debt service coverage ratio. Nevertheless, breaking the requirement was not considered a breach. If General Energy Solutions improves the interest coverage ratio by the next compliance examination date, General Energy Solutions will not have to pay the compensation.

For those contracts stated that falling short of the financial ratio, they were not considered breaches of the contract.

The assets pledged as collaterals are shown in Note 36.

20. BONDS PAYABLE

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Secured domestic convertible bonds	\$ -	\$ 549,004	\$ 275,335	\$ 9,042
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ 549,004</u></u>	<u><u>\$ 275,335</u></u>	<u><u>\$ 9,042</u></u>

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Accrued expenses</u>				
Loss on contracts	\$ 383,174	\$ 499,845	\$ 335,139	\$ 11,006
Salaries	102,987	158,318	171,285	5,625
Bonus	81,026	201,950	98,708	3,242
Service charge	138,328	83,911	78,543	2,579
Others	<u>220,211</u>	<u>580,761</u>	<u>499,176</u>	<u>16,394</u>
	<u>\$ 925,726</u>	<u>\$ 1,524,785</u>	<u>\$ 1,182,851</u>	<u>\$ 38,846</u>
<u>Other current liabilities</u>				
Advanced receipts from customers	\$ 1,587	\$ 2,483	\$ 88,120	\$ 2,894
Deferred revenue	-	-	17,011	559
Receipts under custody	5,527	9,021	9,200	302
Others	<u>-</u>	<u>487</u>	<u>93</u>	<u>3</u>
	<u>\$ 7,114</u>	<u>\$ 11,991</u>	<u>\$ 114,424</u>	<u>\$ 3,758</u>
Current	\$ 7,114	\$ 11,991	\$ 97,413	\$ 3,199
Noncurrent	<u>-</u>	<u>-</u>	<u>17,011</u>	<u>559</u>
	<u>\$ 7,114</u>	<u>\$ 11,991</u>	<u>\$ 114,424</u>	<u>\$ 3,758</u>

22. PROVISIONS

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Noncurrent</u>				
Warranties	<u>\$ 68,085</u>	<u>\$ 159,098</u>	<u>\$ 175,226</u>	<u>\$ 5,755</u>
<u>Three Months Ended March 31</u>				
	<u>2013</u>	<u>2014</u>		
	NT\$	NT\$		US\$ (Note 6)
Balance at January 1	\$ 65,368	\$ 159,098	\$ 5,225	
Additions	2,717	16,355	537	
Use	-	(221)	(7)	
Translation adjustments	<u>-</u>	<u>(6)</u>	<u>-</u>	
Balance at March 31	<u>\$ 68,085</u>	<u>\$ 175,226</u>	<u>\$ 5,755</u>	

23. RETIREMENT BENEFIT PLANS

The Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages in accordance with the Labor Pension Act, and these contributions are recognized as pension costs.

The employees of the Corporation's subsidiary in People's Republic of China are members of a state-managed retirement benefit plan operated by the government of People's Republic of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Corporation on the retirement benefit plan is to make the specified contributions.

24. EQUITY

a. Common shares

1) Common shares

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Number of shares authorized (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	
Amount of shares authorized	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 262,726</u>
Number of shares issued and fully paid (in thousands)	<u>460,622</u>	<u>777,029</u>	<u>787,084</u>	
Shares issued	\$ 4,606,219	\$ 7,770,292	\$ 7,870,838	\$ 258,484
Share premiums	<u>8,814,585</u>	<u>10,317,449</u>	<u>10,317,449</u>	<u>338,833</u>
	<u>\$ 13,420,804</u>	<u>\$ 18,087,741</u>	<u>\$ 18,188,287</u>	<u>\$ 597,317</u>

Fully paid common shares, which have a par value of NT\$10 (US\$0.3284), carry one vote per share and carry a right to dividends.

Of the Corporation's authorized shares, 80,000 thousand shares had been reserved for the issuance of employee share options.

On March 18, 2014, NSP's board approved an increase in its capital (a) by NT\$2,015,000 thousand (US\$66,174 thousand) by a public offering of 65,000 thousand new common shares at a par value of NT\$10 (US\$0.3284) (b) by the issue of the second secured overseas convertible bonds with an aggregate par value of up to US\$150,000 thousand; and (c) by an issuance of up to 180,000 thousand shares of capital shares or global depositary shares. The issuance of the second secured overseas convertible bonds was approved by the Financial Supervisory Commission on April 21, 2014.

2) Global depositary receipts

On July 14, 2011, NSP offered 100,000 thousand shares of capital stock for a 20,000 thousand global depositary share (GDS) offering. Each GDS represented five common shares. The GDS issue price was US\$6.62 per share, and a total of US\$132,400 thousand was raised. The GDS was listed on the Luxembourg Stock Exchange on July 20, 2011.

b. Capital surplus

The capital surplus from shares issued in excess of par (share premium, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the NSP has no deficit, capital surplus may be distributed as cash dividends or transferred to capital (once a year within to a certain percentage of NSP's paid-in capital).

The capital surplus from investments accounted for using the equity method, employee share options and restricted shares for employees may not be used for any purpose.

c. Retained earnings and dividend policy

Under NSP's Articles of Incorporation, upon closing of accounts, if there is profit, NSP should first pay the corporate income tax in accordance with the law, offset a deficit in previous years and then set aside a legal reserve of 10% of the profits left over, and retain special reserve(s) pursuant to applicable laws. Then, NSP will appropriate the remaining earnings as employees' bonus (no less than 3%) and remuneration to directors (no more than 2%). On any remaining balance plus unappropriated earnings of prior years, the Board of Directors will propose an appropriation of shareholders' bonus to be presented in the shareholders' meeting for approval. NSP may issue profit sharing to employees of an affiliated company who meet the conditions set by the Board. The board chairman is authorized to decide the actual amount to be appropriated as employees' bonus. Bonus to shareholders should be paid in cash or shares. Cash bonus shall be more than 10% of the total bonus to shareholders.

For the three months ended March 31, 2014, NSP's estimated bonuses payable to employees and directors were NT\$53,371 thousand (US\$1,753 thousand) and NT\$7,116 thousand (US\$234 thousand), respectively. NSP incurred a deficit in the three months ended March 31, 2013; thus, neither bonus to employees nor remuneration to directors was estimated. The amounts of bonus to employees and directors were estimated on the basis of statutes, NSP's Articles of Incorporation and experience. Material differences between these estimates and the amounts proposed by the Board of Directors on or before the date of annual consolidated financial statements had been authorized for issue are adjusted in the year the bonus and remuneration are recognized. If there is a change in the proposed amounts after the date of annual consolidated financial statements had been authorized for issue, the differences are accounted for as a change in accounting estimate in the following year. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and share dividends) of the shares of the day immediately preceding the shareholders' meeting.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs." Distributions can be made out of any subsequent reversal of the debit to other equity items.

Legal reserve should be appropriated from earnings until the legal reserve equals NSP's paid-in capital. Legal reserve may be used to offset deficit. If NSP has no deficit and the legal reserve has exceeded 25% of NSP's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by NSP.

The offset of the 2012 accumulated deficit has been approved in the shareholders' meeting on May 31, 2013, and the appropriations of the 2013 earnings, including bonus to employees and directors, have been proposed by the Board of Directors on March 18, 2014. The appropriations and dividends per share were as follows:

	For Year 2012	For Year 2013			
	Offset of Accumulated Deficit	Appropriation of Earnings		Dividends Per Share	
	NT\$	NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
Net loss for the year	\$(4,173,633)	\$ -	\$ -		
Legal reserve	-	47,566	1,562		
Special reserve	-	18,928	622		
Cash dividends	-	236,003	7,751	\$ 0.3	\$ 0.0099
Share premium	4,173,633	-	-		
	<u>\$ -</u>	<u>\$ 302,497</u>	<u>\$ 9,935</u>		

	For the Year Ended 2013			
	Cash Dividends		Stock Dividends	
	NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
Bonus to employees	\$ 69,821	\$ 2,293	\$ -	\$ -
Remuneration of directors	7,000	230	-	-

In 2012, NSP had a deficit; thus, there was no appropriation of bonus to employees and directors.

There was no difference between the amounts of the bonus to employees and directors proposed by the Board of Directors on March 18, 2014 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2013.

Information on the bonus to employees and directors proposed by the Corporation's Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

NSP had a decrease in retained earnings that resulted from all Taiwan IFRSs adjustments; thus, no special reserve was appropriated.

25. NET SALES

The analysis of the Corporation's net sales was as follows:

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Revenue from the sale of goods	\$ 2,396,246	\$ 7,102,620	\$ 233,255
Processing fee revenue	187,385	122,797	4,033
Revenue from other activities	<u>7,392</u>	<u>51,882</u>	<u>1,704</u>
	<u>\$ 2,591,023</u>	<u>\$ 7,277,299</u>	<u>\$ 238,992</u>

26. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income and expenses

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Impairment loss on property, plant and equipment	\$ 50,530	\$ -	\$ -

b. Interest income and other income

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Interest income			
Bank deposits	\$ 4,103	\$ 2,946	\$ 97
Security deposits	5	10	-
	<u>\$ 4,108</u>	<u>\$ 2,956</u>	<u>\$ 97</u>
Other income			
Government grants	\$ -	\$ 1,492	\$ 49
Bonus returned	-	1,056	35
Compensation income	2,564	613	20
Others	<u>237</u>	<u>403</u>	<u>13</u>
	<u>\$ 2,801</u>	<u>\$ 3,564</u>	<u>\$ 117</u>

c. Finance costs

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Interest on bank loans	\$ 29,139	\$ 52,147	\$ 1,713
Interest on convertible bonds	-	1,383	45
Other interest expense	<u>704</u>	<u>672</u>	<u>22</u>
	<u>\$ 29,843</u>	<u>\$ 54,202</u>	<u>\$ 1,780</u>

d. Depreciation and amortization

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Property, plant and equipment	\$ 459,480	\$ 485,114	\$ 15,931
Intangible assets	<u>-</u>	<u>27,235</u>	<u>894</u>
	<u>\$ 459,480</u>	<u>\$ 512,349</u>	<u>\$ 16,825</u>
An analysis of deprecation by function			
Operating costs	\$ 442,589	\$ 456,829	\$ 15,003
Operating expenses	<u>16,891</u>	<u>28,285</u>	<u>928</u>
	<u>\$ 459,480</u>	<u>\$ 485,114</u>	<u>\$ 15,931</u>
An analysis of amortization by function			
Operating expenses	<u>\$ -</u>	<u>\$ 27,235</u>	<u>\$ 894</u>

e. Employee benefits expense

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Post-employment benefits (Note 23)			
Defined contribution plans	\$ 12,819	\$ 21,132	\$ 694
Share-based payments			
Equity-settled share-based payments	7,236	16,993	558
Other employee benefits	<u>346,209</u>	<u>689,625</u>	<u>22,648</u>
Total employee benefits expense	<u>\$ 366,264</u>	<u>\$ 727,750</u>	<u>\$ 23,900</u>
An analysis of employee benefits expense by function			
Operating costs	\$ 270,866	\$ 539,317	\$ 17,712
Operating expenses	<u>95,398</u>	<u>188,433</u>	<u>6,188</u>
	<u>\$ 366,264</u>	<u>\$ 727,750</u>	<u>\$ 23,900</u>

f. Gain or loss on foreign currency exchange

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Foreign exchange gains	\$ 86,618	\$ 200,260	\$ 6,577
Foreign exchange losses	<u>(74,530)</u>	<u>(129,668)</u>	<u>(4,259)</u>
Net gain	<u>\$ 12,088</u>	<u>\$ 70,592</u>	<u>\$ 2,318</u>

g. Components of other comprehensive income

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Unrealized gain (loss) on available-for-sale financial assets:			
Arising during the period	\$ 100,444	\$ (5,330)	\$ (175)
Exchange difference on translating foreign operations:			
Arising during the period	\$ 4,207	\$ (5,247)	\$ (172)

27. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax income (expense) were as follows:

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Current tax			
Current period	\$ -	\$ (7,429)	\$ (244)
Deferred tax			
Current period	-	8,268	272
Income tax benefit recognized in profit or loss	\$ -	\$ 839	\$ 28

On April 9, 2014, the Ministry of Finance promulgated the amendments to the Assessment Rules Governing Income Tax Returns of Profit-Seeking Enterprises, the Tax Ruling No. 10304540780, and the amendments apply to the filing of income tax returns for 2013 onwards. These applications of such amendments were not expected to have significant effect on current and deferred tax assets and liabilities.

b. Integrated income tax

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$
				(Note 6)
Unappropriated earnings				
Unappropriated earnings generated on and after January 1, 1998	\$ (4,792,318)	\$ 475,664	\$ 882,909	\$ 28,995
Imputation credits accounts	\$ 256,159	\$ 251,559	\$ 251,616	\$ 8,263

The creditable ratio for distribution of earnings of 2013 was 20.48% (expected ratio); for 2012, there was no tax creditable ratio because NSP incurred a deficit.

Under the Income Tax Law, for the distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the NSP is calculated using the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to NSP's shareholders is based on the balance of the imputation credit accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

Based on legal Interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, in the calculation of imputation credits in the year of the first-time adoption of Taiwan IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of Taiwan IFRSs.

c. Income tax assessments

NSP's income tax returns through 2011 have been assessed by the tax authorities.

28. (LOSS) EARNINGS PER SHARE

Unit: NT\$ Per Share

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Basic (loss) earnings per share	\$ (1.29)	\$ 0.52	\$ 0.017
Diluted (loss) earnings per share	\$ (1.29)	\$ 0.51	\$ 0.017

The (loss) income and weighted average number of common shares outstanding (in thousand shares) in the computation of (loss) earnings per share were as follows:

Net (loss) income for the period

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
(Loss) income for the period attributable to shareholders of the parent	\$ (592,765)	\$ 407,245	\$ 13,374
Effect of dilutive potential common share:			
Interest on convertible bonds (after tax)	-	1,148	38
(Loss) income used in the computation of diluted (loss) income per share	\$ (592,765)	\$ 408,393	\$ 13,412

Weighted average number of common shares outstanding (in thousand shares):

	Three Months Ended March 31	
	2013	2014
Weighted average number of common shares used in the computation of basic (loss) earnings per share	460,651	777,946
Effect of dilutive potential common shares:		
Convertible bonds	-	14,177
Restricted share options of employee	-	3,754
Employee bonus	-	3,427
Employee share options	-	203
Weighted average number of common shares used in the computation of diluted (loss) earnings per share	<u>460,651</u>	<u>799,507</u>

For the three months ended March 31, 2013, the outstanding convertible bonds and employee share options issued by NSP were anti-dilutive and excluded from the computation of diluted earnings per share.

If NSP decides to settle the bonuses paid to employees by cash or shares, NSP will assume that the entire amount of the bonus be settled in shares; if the effect of the resulting potential shares is dilutive, these shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

29. SHARE-BASED PAYMENT ARRANGEMENTS

Issuance of shares reserved for employees to subscribe

No share options were granted in the three months ended March 31, 2013 and 2014.

Employee share option plan

a. Information on employee share options issued by NSP was as follows:

No share options were granted in the three months ended March 31, 2013 and 2014. Other information on the share option plan was as follows:

	2007 Plan			2006 Plan			2005 Plan		
	Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)		Number of Options (In Thousands)	Average Exercise Price (\$/Per Share)	
		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)
For three months ended March 31, 2013									
Beginning balance	571	\$ 16.84		100	\$ 10.00		175	\$ 10.00	
Options exercised	(45)	16.84		-	-		-	-	
Ending balance	<u>526</u>	16.84		<u>100</u>	10.00		<u>175</u>	10.00	
Options exercisable, end of period	<u>526</u>	16.84		<u>100</u>	10.00		<u>175</u>	10.00	
For three months ended March 31, 2014									
Beginning balance	-	\$ -	\$ -	100	\$ 10.00	\$ 0.3284	175	\$ 10.00	\$ 0.3284
Options exercised	-	-	-	-	-	-	-	-	-
Ending balance	<u>-</u>	-	-	<u>100</u>	10.00	0.3284	<u>175</u>	10.00	0.3284
Options exercisable, end of period	<u>-</u>	-	-	<u>100</u>	10.00	0.3284	<u>175</u>	10.00	0.3284

At the end of the reporting period, the information about the outstanding share options is as follows:

March 31, 2013		December 31, 2013		March 31, 2014		
Exercise Price (\$/Per Share)	Weighted Average Remaining Contractual Life (In Years)	Exercise Price (\$/Per Share)	Weighted Average Remaining Contractual Life (In Years)	Exercise Price (\$/Per Share)	Weighted Average Remaining Contractual Life (In Years)	
NT\$		NT\$		NT\$	US\$ (Note 6)	
\$ 10.00	2.75	\$ 10.00	2.00	\$ 10.00	\$ 0.3284	1.75
10.00	3.33	10.00	2.58	10.00	0.3284	2.33
16.84	0.74	16.84	-			

- b. Information on employee share options replaced from DelSolar's employee share options (the "replaced ESOs") was as follows:

	Plan 3 in 2007			Plan 4 in 2009					
	Number of Options (In Thousands)	Weighted Average Exercise Price		Number of Options (In Thousands)	Weighted Average Exercise Price				
		(\$/Per Share)			(\$/Per Share)				
		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)			
For the three months ended March 31, 2014									
Beginning balance	595	\$ 108.44	\$ 3.5612	360	\$ 53.06	\$ 1.7425			
Options exercisable	-	-	-	-	-	-			
Ending balance	595	108.44	3.5612	360	53.06	1.7425			
Options exercisable, end of period	595	108.44	3.5612	270	53.06	1.7425			
	Plan 5 in 2009			Plan 6 in 2010			Plan 7 in 2010		
	Number of Options (In Thousands)	Weighted Average Exercise Price		Number of Options (In Thousands)	Weighted Average Exercise Price		Number of Options (In Thousands)	Weighted Average Exercise Price	
		(\$/Per Share)			(\$/Per Share)			(\$/Per Share)	
		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)		NTS	US\$ (Note 6)
For the three months ended March 31, 2014									
Beginning balance	215	\$ 57.55	\$ 1.8900	201	\$ 68.44	\$ 2.2476	603	\$ 83.95	\$ 2.7570
Options canceled	-	-	-	(38)	68.44	2.2476	(21)	83.95	2.7570
Ending balance	215	57.55	1.8900	163	68.44	2.2476	582	83.95	2.7570
Options exercisable, end of period	161	57.55	1.8900	81	68.44	2.2476	291	83.95	2.7570

As of March 31, 2014, the information on the replaced ESOs was as follows:

March 31, 2014		
Exercise Price (\$/Per Share)	Weighted Average Remaining Contractual Life (In Years)	
NT\$	US\$ (Note 6)	
\$ 108.44	\$ 3.5612	0.63
53.06	1.7425	2.37
57.55	1.8900	2.57
68.44	2.2476	3.06
83.95	2.7570	3.55

Restricted share plan for employees

No employee restricted shares were issued in the three months ended March 31, 2013 and 2014. Information on issued employee restricted shares was as follows:

	Shares (Thousand)	
	Three Months Ended March 31	
	2013	2014
Beginning balance	2,880	6,945
Canceled	<u>(100)</u>	<u>(33)</u>
Ending balance	<u>2,780</u>	<u>6,912</u>

On March 18, 2014, NSP's Board of Directors approved another restricted share plan amounting to NT\$40,000 thousand (US\$1,314 thousand), consisting of 4,000 thousand shares with a par value of NT\$10 (US\$0.3284). Such plan may require consideration to be paid by employees at NT \$10 (US\$0.3284) or NT\$0 per share.

30. BUSINESS COMBINATION

	Principal Activity	Date of Acquisition	Percentage of Voting Equity Interests Acquired (%)	Consideration Transferred	
				NT\$	US\$ (Note 6)
DelSolar	Solar-related business	May 31, 2013	100	<u>\$ 4,606,253</u>	<u>\$ 151,273</u>

DelSolar was acquired to effectively integrate the Corporation's overall resources, expand operating scale, and enhance operating performance and boost competitiveness. The Corporation acquired DelSolar in stages in December 2012 and May 2013. For further information, please refer to the consolidate financial statements for the year ended December 31, 2013.

31. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

On March 8, 2013, General Energy Solutions (GES) issued shares for cash, NSP acquired 22,743 thousand GES shares for NT\$341,144 thousand. NSP's equity interests in GES were increased from 61.44% to 66.49%. As of March 31, 2013, NSP's capital surplus decreased by a total of NT\$19,894 thousand because of recorded changes in its equity in the investee's net assets.

In February 2014, Hashimoto issued shares for cash, but GES acquired none of Hashimoto's shares. Due to the acquisition of Hashimoto at a percentage different from its earlier ownership percentage, GES's equity interests in Hashimoto were decreased from 100% to 45%. As of March 31, 2014, NSP's capital surplus increased by a total of NT\$1,546 thousand (US\$51 thousand) because of recorded changes in its equity in the investee's net assets.

The above transactions were accounted for as equity transactions since the Corporation did not cease to have control over the subsidiary.

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Cash consideration received	\$ 110,978	\$ 42,626	\$ 1,401
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	<u>(130,872)</u>	<u>(41,080)</u>	<u>(1,350)</u>
Differences arising from equity transaction	<u>\$ (19,894)</u>	<u>\$ 1,546</u>	<u>\$ 51</u>
<u>Line items adjusted for equity transaction</u>			
Capital surplus - difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	<u>\$ (19,894)</u>	<u>\$ 1,546</u>	<u>\$ 51</u>

32. OPERATING LEASE ARRANGEMENTS

The future minimum lease payments for operating lease commitments were as follows:

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Up to 1 year	\$ 31,596	\$ 83,254	\$ 75,612	\$ 2,483
Over 1 year and up to 5 years	152,270	195,949	188,448	6,189
Over 5 years	<u>265,589</u>	<u>414,940</u>	<u>403,799</u>	<u>13,261</u>
	<u>\$ 449,455</u>	<u>\$ 694,143</u>	<u>\$ 667,859</u>	<u>\$ 21,933</u>

The lease payments recognized as expenses were as follows:

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Minimum lease payment	<u>\$ 7,537</u>	<u>\$ 27,238</u>	<u>\$ 895</u>

33. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Key management personnel of the Corporation review the capital structure periodically. For this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. On the basis of the recommendations of the key management personnel on balancing the overall

capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, management believes that either the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	March 31, 2013		December 31, 2013		March 31, 2014			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
<u>Financial assets</u>								
Finance lease receivables (including current and noncurrent portion)	\$ 268,415	\$ 266,204	\$ 1,708,917	\$ 1,711,817	\$ 1,741,471	\$ 57,192	\$ 1,741,314	\$ 57,186
<u>Financial liabilities</u>								
Financial liabilities measured at amortized cost								
Bonds payable	-	-	549,004	549,373	275,335	9,042	276,141	9,069

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured after the initial recognition at fair value and grouped into Levels 1 to 3 on the basis of the degree at which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived through valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2013

	Level 1 NT\$	Level 2 NT\$	Level 3 NT\$	Total NT\$
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 683,843</u>	<u>\$ 193,130</u>	<u>\$ -</u>	<u>\$ 876,973</u>
Financial liabilities at fair value through profit or loss				
Interest swap contracts	\$ -	\$ 536	\$ -	\$ 536
Foreign exchange forward contracts	-	41	-	41
	<u>\$ -</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 577</u>

December 31, 2013

	<u>Level 1</u> <u>NT\$</u>	<u>Level 2</u> <u>NT\$</u>	<u>Level 3</u> <u>NT\$</u>	<u>Total</u> <u>NT\$</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 29,200</u>	<u>\$ 193,550</u>	<u>\$ -</u>	<u>\$ 222,750</u>
Financial assets at fair value				
through profit or loss				
Interest swap contracts	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 22</u>
Financial liabilities at fair value				
through profit or loss				
Interest swap contracts	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 700</u>

March 31, 2014

	<u>Level 1</u> <u>NT\$</u>	<u>Level 2</u> <u>NT\$</u>	<u>Level 3</u> <u>NT\$</u>	<u>Total</u> <u>NT\$</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 28,350</u>	<u>\$ 189,070</u>	<u>\$ -</u>	<u>\$ 217,420</u>
Financial assets at fair value				
through profit or loss				
Interest swap contracts	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>
Financial liabilities at fair value				
through profit or loss				
Foreign exchange forward				
contracts	<u>\$ -</u>	<u>\$ 1,104</u>	<u>\$ -</u>	<u>\$ 1,104</u>
Interest swap contracts	<u>-</u>	<u>778</u>	<u>-</u>	<u>778</u>
	<u>\$ -</u>	<u>\$ 1,882</u>	<u>\$ -</u>	<u>\$ 1,882</u>
	<u>Level 1</u> <u>US\$</u> <u>(Note 6)</u>	<u>Level 2</u> <u>US\$</u> <u>(Note 6)</u>	<u>Level 3</u> <u>US\$</u> <u>(Note 6)</u>	<u>Total</u> <u>US\$</u> <u>(Note 6)</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 931</u>	<u>\$ 6,209</u>	<u>\$ -</u>	<u>\$ 7,140</u>
Financial assets at fair value				
through profit or loss				
Interest swap contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities at fair value				
through profit or loss				
Foreign exchange forward				
contracts	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ 36</u>
Interest swap contracts	<u>-</u>	<u>26</u>	<u>-</u>	<u>26</u>
	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ 62</u>

There were no transfers between Level 1 and 2 in the three months ended March 31, 2013 and 2014.

3) Valuation techniques and assumptions applied in measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- a) The fair values of financial instruments (including listed shares) with standard terms and conditions and traded in active markets are determined by referring to quoted market prices. The Corporation's investments in available-for-sale financial assets, which included private-placement shares, have quoted prices in an active market but cannot be traded during a lock-up period; their fair values were determined using valuation methods which considered the lock-up period, quoted market prices, expected volatility, dividend yield, risk free rate and marketability discount etc.
- b) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, valuation methods are used to determine fair value. The estimates and assumptions used by the Corporation are consistent with those that market participants would use in setting prices for financial instruments.

The Corporation's foreign exchange forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The Corporation's interest swap contracts are measured using forward interest swap rates revealed by bank quotation system and discounted value of cash flows.

- c) The fair value of finance lease receivables was estimated on the basis of interest rate of the sales with buyback agreements with similar terms.
- d) The fair value of the liability component of convertible bonds was estimated on the basis of interest rate of loans with similar terms.

b. Categories of financial instruments

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
<u>Financial assets</u>				
Fair value through profit or loss (FVTPL)				
Held for trading	\$ -	\$ 22	\$ 7	\$ -
Loans and receivables (Note 1)	7,387,635	11,159,877	11,760,576	386,224
Available-for-sale financial assets (Note 2)	899,563	247,198	241,880	7,943
<u>Financial liabilities</u>				
Fair value through profit or loss (FVTPL)				
Held for trading	577	700	1,882	62
Measured at amortized cost (Note 3)	9,497,633	13,742,768	14,490,275	475,871

Note 1: The loans and receivables included cash and cash equivalents, accounts receivable and notes receivable, pledged time deposits, restricted deposits, other receivables, etc. and were carried at amortized cost.

Note 2: The amounts included available-for-sale financial assets carried at cost.

Note 3: The financial liabilities included short-term loans, accounts payable and notes payable, other payable, long-term loans and bonds payable, etc. and were carried at amortized cost.

c. Financial risk management objectives and policies

The Corporation's major financial instruments included equity, accounts receivable, accounts payable, bonds payable and borrowings. The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports, which are tools for analyzing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge against risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors continually. The Corporation does not enter into financial instrument contracts or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Corporation's Board of Directors and Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of exchange rate changes (see a) below) and interest rates (see b) below). The Corporation used a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risks.

There had been no change in the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency-denominated sales and purchases, which exposed the Corporation to exchange rate risk. The Corporation entered into foreign exchange forward contracts and cross-currency swap contracts, etc. to manage exposures due to exchange rate and interest rate fluctuations. These instruments help to reduce, but do not eliminate, the impact of adverse exchange rate movements.

The Corporation also holds short-term bank loans in foreign currencies in proportion to its expected future cash flows. This allows foreign-currency-denominated bank loans to be serviced with expected future cash flows and provides a partial hedge against transaction translation exposure.

Sensitivity analysis

The Corporation was mainly exposed to US dollar.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currency. The sensitivity analysis included only outstanding foreign currency-denominated monetary items; their translation at the end of the reporting period is adjusted for a 5% change in exchange rates. The sensitivity analysis included cash, accounts receivable, other receivables, short-term bank loans, accounts payable, other payables and long-term bank loans. A positive number below indicates an increase in profit and other equity associated with the New Taiwan dollar's strengthening 5% against a foreign currency. For a 5% weakening of the New Taiwan dollar against a foreign currency, there would be an equal and opposite impact on profit and other equity and the balances below would be negative.

	US Dollar Impact			JPY Impact		
	Three Months Ended March 31			Three Months Ended March 31		
	2013	2014		2013	2014	
	NT\$	NT\$	US\$ (Note 6)	NT\$	NT\$	US\$ (Note 6)
Profit or loss	\$ 8,927	\$ 76,377	\$ 2,508	\$ 309	\$ 1,800	\$ 59

The Corporation's sensitivity to exchange rates rose in the current period mainly because of the increase in assets recorded in US dollars and JPY.

b) Interest rate risk

Long-term and short-term bank loans mainly bear floating interest rates. Thus, the fluctuations of market interest rates will result in changes in the effective interest rates for long-term and short-term bank loans and the fluctuation of future cash flows.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Fair value interest rate risk				
Financial assets	\$ 1,714,794	\$ 1,383,107	\$ 1,158,761	\$ 38,055
Financial liabilities	(2,644,188)	(2,808,218)	(3,245,472)	(106,584)
Cash flow interest rate risk				
Financial assets	2,814,682	5,338,827	4,926,344	161,785
Financial liabilities	(4,592,435)	(6,940,262)	(7,216,288)	(236,988)

Sensitivity analysis

The sensitivity analysis below was based on the Corporation's exposure to interest rates for both derivative and nonderivative instruments at the end of the reporting period.

Had interest rates been 1% higher and all other variables been held constant, the Corporation's profit for three months ended 2013 and 2014 would have decreased by NT\$4,444 thousand and NT\$5,725 thousand (US\$188 thousand), respectively, mainly because of the Corporation's exposure to interest rates on its variable-rate bank borrowings.

The Corporation's sensitivity to interest rates increased during the current period mainly because of the increase in variable-rate debt instruments.

c) Other price risk

The Corporation is exposed to equity price risk on available-for-sale financial assets, which are not held for trading.

Sensitivity analysis

The sensitivity analysis below was based on the exposure to equity price risks at the end of the reporting period.

Had equity prices been 5% lower, profit for the three months ended 2013 and 2014 would have decreased by NT\$43,849 thousand and NT\$10,871 thousand (US\$357 thousand), respectively, as a result of the changes in fair value of impaired available-for-sale investments.

The Corporation's sensitivity to price decreased in the current period mainly because of the decrease in available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which will cause a financial loss to the Corporation due to failure to discharge an obligation by the counterparties, could arise from the carrying amounts of the financial assets recognized in the consolidated balance sheets.

To minimize credit risk, the Corporation's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each accounts receivable at the end of the reporting period to ensure that adequate allowances are set aside for irrecoverable amounts. Thus, the Corporation's Management consider the Corporation's credit risk as significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Accounts receivable pertained to a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance is purchased.

The Corporation did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Corporation's concentrations of credit risk of 59%, 24% and 26% in total trade receivables as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively, were related to the Corporation's three largest customers.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank loans and ensures compliance with loan covenants. The Corporation relies on bank loans as a significant source of liquidity.

a) Liquidity and interest risk rate tables (nonderivative financial liabilities)

The following table shows the Corporation's remaining contractual maturity for its nonderivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up on the basis of undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows.

Bank loans with a repayment on demand clause were included in the first column of the table below regardless of the probability of the banks choosing to exercise their rights to repayment. The maturity dates for other nonderivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows refer to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

March 31, 2013

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 597,165	\$ 1,295,250	\$ 315,108	\$ 54,064
Variable interest rate liabilities	5,991	609,858	748,460	3,344,015
Fixed interest rate liabilities	<u>533,814</u>	<u>1,625,118</u>	<u>497,973</u>	<u>-</u>
	<u>\$ 1,136,970</u>	<u>\$ 3,530,226</u>	<u>\$ 1,561,541</u>	<u>\$ 3,398,079</u>

December 31, 2013

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 2,041,307	\$ 1,001,357	\$ 862,310	\$ 638,318
Variable interest rate liabilities	18,463	571,515	1,765,525	4,798,286
Fixed interest rate liabilities	<u>1,475,980</u>	<u>787,614</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,535,750</u>	<u>\$ 2,360,486</u>	<u>\$ 2,627,835</u>	<u>\$ 5,436,604</u>

March 31, 2014

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 1,786,712	\$ 1,525,393	\$ 687,194	\$ 304,551
Variable interest rate liabilities	181,199	1,384,163	1,187,500	4,674,751
Fixed interest rate liabilities	<u>639,174</u>	<u>1,738,507</u>	<u>610,489</u>	<u>-</u>
	<u>\$ 2,607,085</u>	<u>\$ 4,648,063</u>	<u>\$ 2,485,183</u>	<u>\$ 4,979,302</u>
	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
<u>Nonderivative financial liabilities</u>				
Noninterest bearing	\$ 58,677	\$ 50,095	\$ 22,568	\$ 10,002
Variable interest rate liabilities	5,951	45,457	38,998	153,522
Fixed interest rate liabilities	<u>20,991</u>	<u>57,094</u>	<u>20,049</u>	<u>-</u>
	<u>\$ 85,619</u>	<u>\$ 152,646</u>	<u>\$ 81,615</u>	<u>\$ 163,524</u>

As of March 31, 2013, December 31, 2013 and March 31, 2014, the Corporation believes there was no bank loan on which immediate repayment will be demanded.

The amounts included above for variable interest rate instruments for nonderivative financial assets and liabilities were subject to change if changes in variable interest rates differed from the interest rates estimated at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table shows the Corporation's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

March 31, 2013

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$
<u>Net settled</u>				
Interest rate swaps	\$ -	\$ -	\$ -	\$ 536
Foreign exchange forward contracts	<u>41</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536</u>

December 31, 2013

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$

Net settled

Interest rate swaps	\$ -	\$ -	\$ -	\$ 700

March 31, 2014

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	NT\$	NT\$	NT\$	NT\$

Net settled

Foreign exchange forward contracts	\$ 1,104	\$ -	\$ -	\$ -
Interest rate swaps	-	-	-	778
	<u>\$ 1,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778</u>

	On Demand or Up to 1 Month	Over 1 Month-3 Months	Over 3 Months to 1 Year	1+ Years
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)

Net settled

Foreign exchange forward contracts	\$ 36	\$ -	\$ -	\$ -
Interest rate swaps	-	-	-	26
	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26</u>

c) Financing facilities

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Secured long-term bank loan facilities (installment credit):				
Amount used	\$ 2,732,200	\$ 5,717,698	\$ 6,538,848	\$ 214,740
Amount unused	<u>132,700</u>	<u>158,502</u>	<u>149,587</u>	<u>4,913</u>
	<u>\$ 2,864,900</u>	<u>\$ 5,876,200</u>	<u>\$ 6,688,435</u>	<u>\$ 219,653</u>

(Continued)

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Unsecured long-term bank loan facilities (revolving credit):				
Amount used	\$ 2,494,448	\$ 3,494,448	\$ 3,494,448	\$ 114,760
Amount unused	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,494,448</u>	<u>\$ 3,494,448</u>	<u>\$ 3,494,448</u>	<u>\$ 114,760</u>
Secured short-term bank loan facilities which may be extended by mutual agreement:				
Amount used	\$ 233,467	\$ 1,373,096	\$ 1,375,323	\$ 45,167
Amount unused	<u>126,533</u>	<u>19,904</u>	<u>17,677</u>	<u>581</u>
	<u>\$ 360,000</u>	<u>\$ 1,393,000</u>	<u>\$ 1,393,000</u>	<u>\$ 45,748</u>
Unsecured short-term bank loan facilities (revolving credit):				
Amount used	\$ 3,771,791	\$ 3,886,925	\$ 4,807,275	\$ 157,874
Amount unused	<u>3,973,193</u>	<u>7,504,753</u>	<u>6,003,396</u>	<u>197,156</u>
	<u>\$ 7,744,984</u>	<u>\$ 11,391,678</u>	<u>\$ 10,810,671</u>	<u>\$ 355,030</u>
Unsecured short-term bank loan facilities (installment credit):				
Amount used	\$ -	\$ 101,670	\$ 28,461	\$ 935
Amount unused	<u>-</u>	<u>18,130</u>	<u>1,539</u>	<u>51</u>
	<u>\$ -</u>	<u>\$ 119,800</u>	<u>\$ 30,000</u>	<u>\$ 986</u>

(Concluded)

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between NSP and its subsidiaries had been eliminated on consolidation and are not disclosed in this note. In addition to those disclosed in other notes, transactions between the Corporation and its related parties are disclosed below.

a. Trading transactions

	Sale of goods		
	Three Months Ended March 31		
	2013	2014	US\$
	NT\$	NT\$	(Note 6)
Investors with significant influence on certain group entities	\$ -	\$ 197	\$ 6
Related parties in substance	266	188	6
Other related parties (Note)	<u>-</u>	<u>426,361</u>	<u>14,002</u>
	<u>\$ 266</u>	<u>\$ 426,746</u>	<u>\$ 14,014</u>

Other Income			
Three Months Ended March 31			
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ -	\$ 10	\$ 0.33
Investors with significant influence on certain group entities	-	5	0.16
	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 0.49</u>
Purchase of goods			
Three Months Ended March 31			
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ 40,216	\$ 2,023	\$ 66
Investors with significant influence on certain group entities	-	182	6
	<u>\$ 40,216</u>	<u>\$ 2,205</u>	<u>\$ 72</u>
Other Expenses			
Three Months Ended March 31			
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ 939	\$ 553	\$ 18
Investors with significant influence on certain group entities	-	156	5
Other related parties (Note)	-	1,402	46
	<u>\$ 939</u>	<u>\$ 2,091</u>	<u>\$ 69</u>
Rental Expense			
Three Months Ended March 31			
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Other related parties (Note)	<u>\$ -</u>	<u>\$ 11,287</u>	<u>\$ 371</u>
Utilities			
Three Months Ended March 31			
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Other related parties (Note)	<u>\$ -</u>	<u>\$ 30,955</u>	<u>\$ 1,017</u>

Purchases and sales of goods between the Corporation and related parties were made at normal commercial prices and terms.

The Corporation rents plants from other related parties under rental terms not different from similar transactions in the market.

- b. The following trade receivables from related parties were outstanding at the end of the reporting period:

	Accounts Receivable			
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Other related parties (Note)	\$ -	\$ 264,427	\$ 477,343	\$ 15,676
Investors with significant influence on certain group entities	<u>-</u>	<u>-</u>	<u>207</u>	<u>7</u>
	<u>\$ -</u>	<u>\$ 264,427</u>	<u>\$ 477,550</u>	<u>\$ 15,683</u>
	Other Receivable			
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Prepayment			
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	<u>\$ 477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Prepaid Legal and Other Expenses			
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Key management personnel	<u>\$ 30,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c. The following trade payables from related parties were outstanding at the end of the reporting period:

Accounts Payable				
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ 29,752	\$ 8,723	\$ 637	\$ 21
Investors with significant influence on certain group entities	-	-	184	6
Other related parties (Note)	-	62	62	2
	<u>\$ 29,752</u>	<u>\$ 8,785</u>	<u>\$ 883</u>	<u>\$ 29</u>
Receipts in Advance				
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Other related parties (Note)	\$ -	\$ 12	\$ 12	\$ 0.39
Key management personnel	798	-	-	-
	<u>\$ 798</u>	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ 0.39</u>
Payables to Contractors and Equipment Suppliers				
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Investors with significant influence on certain group entities	\$ -	\$ 52,681	\$ 65,897	\$ 2,164
Other Accrued Expenses				
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ 1,040	\$ 503	\$ 136	\$ 4
Investors with significant influence on certain group entities	-	498	169	6
Other related parties (Note)	-	58,114	46,213	1,518
	<u>\$ 1,040</u>	<u>\$ 59,115</u>	<u>\$ 46,518</u>	<u>\$ 1,528</u>

	Guarantee Deposits			
	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Related parties in substance	\$ <u>2</u>	\$ <u>2</u>	\$ <u>2</u>	\$ <u>0.0657</u>

Note: Other related parties were entities of the investor who has significant influence over NSP.

The outstanding receivables from related parties were unsecured. No guarantees had been given or received for payables to related parties, and these payables would be settled in cash. No receivables had been impaired; no impairment allowance for these receivables was recognized.

d. Other transactions

	Acquisition of Property, Plant and Equipment Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Investors with significant influence on certain group entities	\$ <u>-</u>	\$ <u>12,650</u>	\$ <u>415</u>

e. Compensation of key management personnel

The compensation of directors and other members of key management personnel for the three months ended 2013 and 2014 were as follows:

	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Short-term benefits	\$ 20,193	\$ 38,658	\$ 1,270
Share-based payments	2,562	4,895	161
Post-employment benefits	<u>297</u>	<u>297</u>	<u>10</u>
	\$ <u>23,052</u>	\$ <u>43,850</u>	\$ <u>1,441</u>

The compensation of directors and other key management personnel was determined by the Compensation Committee on the basis of individual performance and market trends.

36. PLEDGED OR MORTGAGED ASSETS

The following assets had been pledged or mortgaged as collaterals for long-term and short-term bank loans, bonds payable and deposit for government:

	March 31, 2013	December 31, 2013	March 31, 2014	
	NT\$	NT\$	NT\$	US\$ (Note 6)
Pledged time deposits (classified as other current assets)	\$ 5,080	\$ 10,625	\$ 10,625	\$ 349
Restricted assets (classified as other current assets)	-	368,359	60,603	1,990
Property, plant and equipment	3,403,243	5,534,373	5,362,574	176,111
Finance lease receivables (including current and noncurrent portions)	-	617,545	610,498	20,049
	<u>\$ 3,408,323</u>	<u>\$ 6,530,902</u>	<u>\$ 6,044,300</u>	<u>\$ 198,499</u>

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation were as follows:

a. Significant commitments

1) Long-term purchase contracts:

- a) In December 2006, March 2007 and September 2008, NSP entered into long-term materials supply agreements with Company J. Under the agreements, NSP should make the nonrefundable payments from January 1, 2006 to December 31, 2018. In return, Company J should provide an agreed-upon quantity of raw materials.

On July 19, 2013, Company J claimed in a letter that NSP made insufficient purchases, contrary to the contract signed in December 2006; thus, NSP's prepayment of US\$557 thousand as of December 31, 2011 will be forfeited. Both parties reached an agreement in August 2013 to adjust the purchase quantity monthly and make deductions from the prepayment accordingly.

In January 2011, NSP entered into a long-term materials supply agreement with Company J. Under the agreement, NSP should make payments from January 1, 2011 to December 31, 2015. In return, Company J should provide an agreed-upon quantity of raw materials. The prepayment is refundable even if the agreed-upon quantity is not bought.

As of March 31, 2014, amounts of US\$12,636 thousand (NT\$409,189 thousand) and NT\$127,658 thousand (US\$4,192 thousand) were recorded under prepayment. Earlier, in November 2009, NSP renegotiated the purchase price with Company J. Both parties agreed to adjust the purchase quantity and price monthly from December 2009.

- b) In June 2007, NSP entered into a long-term materials supply agreement with Company I. Under the agreement, NSP should make the nonrefundable payments from January 1, 2010 to December 31, 2017. In return, Company I should provide an agreed-upon quantity of raw materials. The purchase price would be adjusted yearly in a manner agreed upon by both parties. However, because of market changes, NSP failed to buy the agreed-upon quantity.

On June 29, 2012, Company I sent a letter, claiming its right on the contracted purchase. In December 2012, NSP made a business proposal to Company I. In January 2013, both parties entered into an agreement to amend the original supply agreement. If the amended agreement is breached, the original supply agreement would apply. NSP accrued a potential loss in 2012 and resumed purchases in the first quarter of 2013.

- c) In August 2007 and January 2008, NSP entered into long-term materials supply agreements with Company G. Under the agreements, NSP should make payments from January 1, 2009 to December 31, 2018. In return, Company G should provide an agreed-upon quantity of raw materials. As of March 31, 2014, an amount of US\$8,473 thousand (NT\$280,542 thousand) was recorded under prepayment. In May 2009, NSP and Company G revised the agreements. Under the new agreements, Company G should provide an agreed-upon quantity of raw materials from 2009 to December 31, 2018. Within this period, deductions could be made from the prepayments, and the purchase price would be adjusted on the basis of market price. The last agreement revision by NSP and Company G was in September 2013. The purchase price would be adjusted monthly in accordance with the pricing mechanism agreed upon by both parties. On February 24, 2014, Company G's parent company which listed overseas announced it would undergo a financial restructuring. Although Company G indicated the financial restructuring would not affect its operation and the creditors' rights, NSP accrued a potential loss in 2013 considering prepayment might not be collected.
- d) In February 2008, DelSolar entered into a long-term materials supply agreement with Company AH. Under the agreement, DelSolar should make payments from January 2009 to December 31, 2015. In return, Company AH should provide an agreed-upon quantity of raw materials. In April 2013, Company AH stopped supplying materials because of financial difficulties, and both parties entered into negotiations. On May 31, 2013, NSP merged with DelSolar, with NSP as the survivor entity. Considering prepayment might not be collected, NSP had accrued a potential loss for 2013, and will make necessary adjustments according to the final agreement.
- e) In March 2008 and August 2008, NSP entered into long-term materials supply agreements with Company BM. Under the agreements, NSP should make payments from January 1, 2008 to December 31, 2016. In return, Company BM should provide an agreed-upon quantity of raw materials. As of March 31, 2014, an amount of US\$2,415 thousand (NT\$78,273 thousand) was recorded under prepayment. Earlier, in June 2013, NSP renegotiated the agreement with Company BM. Both parties agreed to adjust the purchase price and refund amount of prepayment in accordance with market prices.
- f) In October 2008, NSP entered into a long-term materials supply agreement with Company K. Under the agreement, NSP should make payments from January 2009 to December 31, 2016. In return, Company K should provide an agreed-upon quantity of raw materials. In December 2010, NSP renegotiated the agreement with Company K. Both parties agreed that Company K would provide NSP with an agreed-upon quantity of raw materials at its purchase price plus a markup of a certain percentage from January 2011 to December 31, 2016. As of March 31, 2014, an amount of US\$16,479 thousand (NT\$495,440 thousand) was recorded under prepayment.
- g) In August 2010 and December 2013, NSP entered into long-term materials supply agreements with Company Y. Under the agreements, Company Y should provide an agreed-upon quantity of raw materials from October 2010 to December 31, 2016. NSP should make payments during this period. As of March 31, 2014, an amount of US\$1,670 thousand (NT\$53,321 thousand) was recorded under prepayment. Earlier, both parties had agreed to adjust the purchase price monthly from October 2010 in accordance with a price adjustment mode agreed upon by both parties. Under the agreement, if NSP fails to complete the purchase of the required quantity or delays its payments, Company Y is entitled to request compensation.

- h) In November 2010, NSP entered into a long-term materials supply agreement with Company X. Under the agreement, NSP should make payments from January 2011 to December 31, 2017. In return, Company X should provide an agreed-upon quantity of raw materials. As of March 31, 2014, an amount of US\$3,918 thousand (NT\$115,867 thousand) was recorded under prepayment. Earlier, both parties agreed to adjust the purchase price monthly since 2012. However, in three months ended March 31, 2012, both parties failed to reach an agreement on purchase price and quantity. Under the agreement, NSP was entitled to end the contract unconditionally, and Company X should return the remaining balance of prepayment. Both parties agreed to deduct the remaining prepayment before March 31, 2013. Because Company X announced it would undertake financial restructuring, NSP considered the remaining prepayments might not be collected due to Company X's going concern; thus, NSP accrued potential losses for 2012 and 2013.
- i) In March 2011, NSP entered into a long-term materials supply agreement with Company AD. Under the agreement, Company AD should provide an agreed-upon quantity of raw materials. Based on the agreement, the purchase price will be adjusted quarterly. In return, NSP should make the payment from January 2012 to December 31, 2018. As of March 31, 2014, an amount of US\$8,710 thousand (NT\$254,219 thousand) was recorded under prepayment. Under the agreement, if NSP delays the payments, Company AD is entitled to request an interest on the delayed payment at a rate already agreed on by both parties.
- j) In May 2013, NSP entered into a long-term materials supply agreement with Company BN. Under the agreement, Company BN should provide an agreed-upon quantity of raw materials from June 2013 to June 30, 2015, which the purchase amount is being adjusted in accordance with market prices. In May 2013, NSP provided Company BN a promissory note of US\$1,500 thousand, due on June 30, 2015, as performance guarantee. Under the agreement, if NSP fails to complete the purchase of the required quantity, Company BN is entitled to request compensation within the amount of the promissory note. In the first quarter of 2014, NSP had reached the agreed-upon quantity, Company BN returned the promissory note in April 2014.

2) Long-term sales contracts:

Under several long-term sales contracts with customers, NSP should deliver its products at an agreed-upon quantity from 2006 to 2016. Some of these contracts state that guarantee deposits should be received, which could be in the form of cash payment, irrevocable letter of credit, a bank guarantee or a warranty provided by the parent company of the buyers. These deposits will be deducted from customers' payments as the products are delivered or will be transferred as guarantee deposits on new contracts.

Yong Tang entered into several electricity purchase agreements with Taiwan Power Company ("TaiPower"), which is valid for 20 years from the first day of the connection of Yong Tang's electricity-generating facilities to TaiPower's distribution system for parallel operations. TaiPower permitted the private use by Yong Tang of the power generated but disallowed Yong Tang's sale of electricity to third parties without TaiPower's prior permission.

Yong Liang entered into electricity purchase agreement with TaiPower, which is valid for 20 years from the first day Yong Liang's electricity-generating facilities are connected to TaiPower's distribution system for parallel operations. TaiPower permitted the private usage by Yong Liang of power generated but disallowed Yong Liang's sale of electricity to third parties without prior permission.

TIPPING POINT entered into an electricity purchase agreement with the government of the City of Columbus, Ohio, USA, which is valid for 20 years from the first day TIPPING POINT's electricity-generating facilities are connected to the distribution system of the government of the City of Columbus for parallel operations. TIPPING POINT agreed to sell 100% of the energy it will generate to the government of City of Columbus.

ET ENERGY entered into electricity purchase agreement with Indianapolis Power & Light Company (IP&LC), which is valid for 15 years from the first day ET ENERGY's electricity-generating facilities are connected IP&LC's distribution system for parallel operations. ET ENERGY agreed to sell 100% of the electricity it will produce to IP&LC.

3) Construction contracts.

In April 2011, NSP and Chang Ji Construction Co., Ltd. entered into a construction agreement, which not completed yet, amounting to \$532,000 thousand. As of March 31, 2014, NT\$311,400 thousand (US\$10,227 thousand) had been paid. Both parties agreed to end this agreement.

4) Unused letters of credit amounted to approximately EUR7,547 thousand and US\$4,925 thousand as of March 31, 2014.

b. Contingencies

1) The Taiwan High Court ruled on the lawsuit filed by SilRay Inc. for NSP to pay the plaintiff US\$1,269 thousand and a compensation interest of 5% per annum from October 9, 2008 to the case discharge date. NSP has retained lawyers, who filed an appeal with the Taiwan Supreme Court on January 5, 2011. Based on the Taiwan Supreme Court's judgment, the lawsuit was remanded to the Taiwan Superior Court on May 10, 2012. On June 25, 2013 Taiwan High Court declared that NSP lost the lawsuit; thus, NSP appealed to the court in accordance with applicable law. Management believes these rulings and damages will not have a significant impact on NSP's operation.

2) In the controversy between NSP and Sun Q Solar Corporation ("Sun Q"), NSP requested the help of the Hsin-chu district court, a common pleas court, on July 7, 2010 to request Sun Q to return US\$3,507 thousand to NSP. On June 25, 2013, Hsin-chu district court ordered Sun Q to pay US\$3,507 thousand and interest calculated at 5% per year from September 18, 2010 until the settlement date. Sun Q appealed to a higher court as of March 31, 2014.

3) In December 2010, NSP and the M+W Group (M+W) entered into a construction agreement and materials purchase agreement, with a total amount of \$510,000 thousand. On April 22, 2013, M+W claimed the construction had been completed and requested for a payment of NT\$191,165 thousand (US\$6,278 thousand) (including \$49,344 thousand (US\$1,620 thousand) for additional works). On September 4, 2012, M+W requested the help of the Hsin-chu district court, a common pleas court, to request NSP to return NT\$200,723 thousand, which included NT\$191,165 thousand and interest calculated at 5% per year. NSP already filed a plea and counterplea on this case.

As of March 31, 2014, the amount of \$368,179 thousand (US\$12,091 thousand) had been paid; except the NT\$49,344 thousand (US\$1,620 thousand) for the additional works. NSP had accrued construction contract payables of NT\$141,821 thousand (US\$4,658 thousand) accordingly.

4) On the controversy between NSP and OFUNA Industry, Ltd., Nippon Bunkaseiko Co., Ltd. and Noritake Co., Ltd., NSP requested arbitration by The Chinese Arbitration Association of the Republic of China on July 20, 2013 for the return of JPY854,000 thousand to NSP. On the advice of the arbitration tribunal, all parties agreed to negotiate to resolve this case.

38. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2013		December 31, 2013		March 31, 2014	
	Foreign Currencies (In Thousands)	Exchange Rate	Foreign Currencies (In Thousands)	Exchange Rate	Foreign Currencies (In Thousands)	Exchange Rate
<u>Financial assets</u>						
Monetary assets						
USD	\$ 108,276	29.94	\$ 175,511	29.95	\$ 215,123	30.51
USD	-	-	15,872	6.0560	3,426	6.2387
EUR	5,665	38.16	9,187	41.04	4,878	41.93
EUR	-	-	630	8.3327	1,842	8.5852
JPY	41,743	0.3177	492,554	0.2837	388,674	0.2953
JPY	-	-	25,405	0.0576	2,710	0.0603
RMB	622	4.8097	7,207	4.9236	7,237	4.9011
Nonmonetary assets						
USD	-	-	62	29.97	62	30.16
EUR	-	-	600	37.65	600	37.65
<u>Financial liabilities</u>						
Monetary liabilities						
USD	102,313	29.94	142,406	29.95	159,663	30.51
USD	-	-	10,860	6.0560	8,819	6.2387
EUR	7,710	38.16	8,933	41.04	4,132	41.93
EUR	-	-	222	8.3327	216	8.5852
JPY	22,314	0.3177	315,931	0.2837	214,229	0.2953
JPY	-	-	52,800	0.0576	55,248	0.0603

39. SEPARATELY DISCLOSED ITEMS

Following are the additional disclosures required by the Securities and Futures Bureau for the Corporation:

- Financings provided: Table 1 (attached)
- Endorsements/guarantees provided: Table 2 (attached)
- Marketable securities held (which does not include invested subsidiaries, associates, and joint ventures): Table 3 (attached)
- Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: No.
- Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: No.
- Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: No.
- Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- Trading in derivative instruments: Please see Note 8.
- Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 6 (attached)

k. Investments in Mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 7 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 4 (attached)

l. Intercompany relationships and significant intercompany transaction: Table 8 (attached)

40. OPERATING SEGMENT INFORMATION

Financial information reported to the Corporation's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on revenue from each type of products. The accounting policies of the reportable segments are the same as the Corporation's accounting policies. The Corporation's main reportable segment is solar cell, which mainly manufactures and sells solar cells.

a. Segment revenue and results

	Segment Revenue					
	Three Months Ended March 31					
	2013		2014			
	From External Customer NT\$	Inter-segment Sales NT\$	From External Customer		Inter-segment Sales	
			NT\$	US\$ (Note 6)	NT\$	US\$ (Note 6)
Solar cell	\$ 2,366,712	\$ 7,974	\$ 6,255,365	\$ 205,431	\$ 596,072	\$ 19,575
Others	<u>224,311</u>	<u>124,504</u>	<u>1,021,934</u>	<u>33,561</u>	<u>497,909</u>	<u>16,351</u>
Total	<u>\$ 2,591,023</u>	<u>\$ 132,478</u>	<u>\$ 7,277,299</u>	<u>\$ 238,992</u>	<u>\$ 1,093,981</u>	<u>\$ 35,926</u>

	Segment Profit or Loss		
	Three Months Ended March 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Solar cell	\$ (303,292)	\$ 746,828	\$ 24,526
Others	<u>12,582</u>	<u>44,720</u>	<u>1,469</u>
Reportable segments gross (loss) profit	(290,710)	791,548	25,995
Unrealized intercompany profit	<u>(3,970)</u>	<u>(561)</u>	<u>(18)</u>
	(294,680)	790,987	25,977
Unallocated amount			
Operating expenses	(244,038)	(422,097)	(13,862)
Other income and expenses	(50,530)	-	-
Nonoperating income and expenses	<u>(10,309)</u>	<u>14,661</u>	<u>481</u>
(Loss) income before income tax	<u>\$ (599,557)</u>	<u>\$ 383,551</u>	<u>\$ 12,596</u>

Segment profit or loss represents profit or loss created by each segment without the allocation of operating expenses, nonoperating income and gains, and nonoperating expenses and losses. This is the measure reported to the Corporation's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Corporation does not regularly provide information on assets to the Corporation's chief operating decision maker; thus, the measure of assets - is zero.

TABLE 1

NEO SOLAR POWER CORP. AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands of New Taiwan Dollars)

Financing Company	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Actual Provided	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limit	Note
											Item	Value			
General Energy Solutions	Yong Tang	Other receivables from related parties	\$ 150,000	\$ 150,000	\$ 100,000	1.972%-2.262%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 485,877 (Notes 2, 3, 4 and 5)	\$ 485,877	2
	GES USA	Other receivables from related parties	105,000	105,000	-	2.233%	2	-	Operating capital	-	-	-	121,469 (Notes 2, 3, 4 and 5)	242,939	2
	GES JAPAN	Other receivables from related parties	100,000	100,000	-	-	2	-	Operating capital	-	-	-	121,469 (Notes 2, 3, 4 and 5)	242,939	2
	Yong Liang	Other receivables from related parties	50,000	50,000	-	-	2	-	Operating capital	-	-	-	485,877 (Notes 2, 3, 4 and 5)	485,877	2
	ET ENERGY	Other receivables from related parties	30,000	30,000	-	-	2	-	Operating capital	-	-	-	121,469 (Notes 2, 3, 4 and 5)	242,939	2
GES KYUSHU	General Energy Solutions	Other receivables from related parties	3,065	3,065	-	1.972%-2.262%	2	-	Operating capital	-	-	-	24,077 (Notes 2, 3, 4 and 5)	24,077	2
GES USA	TIPPING POINT	Other receivables from related parties	24,096	24,096	9,036	1.972%-2.029%	2	-	Operating capital	-	-	-	472,234 (Notes 2, 3, 4 and 5)	472,234	2
	ET ENERGY	Other receivables from related parties	130,529	130,529	68,961	1.972%-2.029%	2	-	Operating capital	-	-	-	472,234 (Notes 2, 3, 4 and 5)	472,234	2

Note 1: Nature of Financing;

- 1) For business;
- 2) For short-term financing.

Note 2: The financing company's total financing amount for one counterparty should not exceed 40% of the financing company's net asset value.

Note 3: The financing company's total financing should not exceed 20% of its net asset value. A single financing should not exceed the transaction amount between financing company and counterparty within one year and should not exceed the highest amount of purchases or sales.

Note 4: The total amount of financing for short-term financing need should not exceed 20% of net asset value and the financing for a counterparty should not exceed 10% of net asset value.

Note 5: Domestic subsidiaries with over 75% of voting shares owned directly or indirectly over 75% by General Energy Solution are not subject to Notes 3 and 4.

Note 6: Overseas subsidiaries wholly owned directly or indirectly by General Energy Solution are not subject to Note 2.

TABLE 2

NEO SOLAR POWER CORP. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Notes 1 and 2)	Maximum Balance for the Period	Ending Balance	Actual Provided	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Notes 1 and 2)	Endorsement/ Guarantee Amount Provided to Subsidiary	Endorsement/ Guarantee Amount Provided to the Parent Company	Endorsement/ Guarantee Amount Provided to Mainland China
		Name	Nature of Relationship										
0	NSP	General Energy Solutions	Subsidiary	\$ 3,909,455	\$ 400,000	\$ 400,000	\$ 371,477	\$ -	2.05	\$ 9,773,638	YES	-	-
1	General Energy Solutions	Yong Tang	Subsidiary	1,214,693	1,000,000	1,000,000	563,102	-	82.33	2,429,386	YES	-	-
		ET ENERGY	Subsidiary	1,214,693	735,000	735,000	735,000	-	60.51	2,429,386	YES	-	-
		Hashimoto	Subsidiary	1,214,693	81,000	81,000	-	-	6.67	2,429,386	YES	-	-
		Yong Liang	Subsidiary	1,214,693	30,000	30,000	25,700	-	2.47	2,429,386	YES	-	-

Note 1: In accordance with the "Rules of Guarantees by NSP," the ceiling for total guaranteed amount was 50% of NSP's net asset value, and the limit on the guaranteed amount for a single party was 20% of NSP's net asset value. But for business purposes, the limit of guaranteed amount was the total of the purchase from or sale to NSP within the most recent year.

Note 2: Based on the "Rules of Guarantees by General Energy Solutions," the ceiling for total guaranteed amount was 200% of General Energy Solutions' (GES) net asset value, and the limit of guaranteed amount for a single party was 100% of GES's net asset value. But for business purposes, the limit on the guaranteed amount was the total of the purchase from or sale to GES within the most recent year. GES's net asset value is based on its latest financial statements.

TABLE 3

NEO SOLAR POWER CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2014

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2014			Note
				Shares (Thousands/Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value
NSP	Stock TTMC	Investee	Available-for-sale financial assets - noncurrent	4,000	\$ 108,040	5.55	\$ 108,040
	SUN APPENNINO CORPORATION	Investee	Financial assets carried at cost - noncurrent	-	22,590	26.09	22,590
	FICUS CAPITAL CORPORATION	Investee	Financial assets carried at cost - noncurrent	-	1,259	28.07	1,259
Prime Energy	Stock TTMC	Investee	Available-for-sale financial assets - noncurrent	1,000	28,350	1.39	28,350
New Ray Investment	Stock TTMC	Investee	Available-for-sale financial assets - noncurrent	3,000	81,030	4.16	81,030
GES USA	Stock TG ENERGY SOLUTIONS LLC	Investee	Financial assets carried at cost - noncurrent	-	611	10.00	611

Note 1: The above amount is based on book value.

Note 2: The above amount is based on fair value; for those pertaining to private-placement shares, on quoted market prices; and for those that cannot be traded during the lock-up period, on relevant market prices.

Note 3: The above marketable securities had not been pledged or mortgaged. TTMC's shares held by NSP and New Ray Investment through private equity placement were restricted under Article 43-8 of the Securities and Exchange Act as of March 31, 2014.

TABLE 4

NEO SOLAR POWER CORP. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Remark
			Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total (Note)	
NSP	DeSolar Wu Jiang Delta Electronic (Japan) Inc.	Subsidiary Other related party	Purchase Sale	\$ 971,641 426,361	17% 6%	Open account 70 days Open account 70 days	- -	- -	\$ (16,469) 468,589	1% 9%	- -

Note: The amounts were based on total notes or accounts receivable (payable) or total purchase (sale) amounts of the buyer (seller).

TABLE 5

NEO SOLAR POWER CORP. AND SUBSIDIARIES

**RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2014
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Receivable from Related Parties Amounts	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
NSP	Delta Electronic (Japan) Inc.	Other related party	\$ 468,589	4.73 times	\$ -	-	\$ 189,536	\$ -

TABLE 6

NEO SOLAR POWER CORP. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2014		Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				March 31, 2014	December 31, 2013	Shares (Thousands)	% of Ownership				
NSP	General Energy Solutions	Hsin-chu, Taiwan	Electronic component manufacturing and selling	NT\$ 1,132,653	NT\$ 1,132,653	78,808	72.61	NT\$ 930,659	NT\$ (38,691)	NT\$ (28,094)	Note 1
	New Ray Investment	Tainan, Taiwan	Investment company	115,000	115,000	11,500	100.00	93,881	(15)	(15)	Note 1
General Energy Solutions	Prime Energy	Tainan, Taiwan	Electronic component manufacturing and selling	50,000	50,000	5,000	100.00	39,602	(18)	(18)	Note 1
	DeSolar Cayman	Cayman Islands	Investment company	3,492,035	3,492,035	125,350	100.00	3,706,846	34,521	31,183	Note 1
	DeSolar Singapore	Singapore	Investment company	-	-	310	100.00	(42,232)	1,565	1,565	Note 1
	Yong Tang	Hsin-chu, Taiwan	Solar related business	295,000	230,000	-	100.00	323,141	3,711	3,711	Note 1
	Yong Liang	Hsin-chu, Taiwan	Solar related business	29,000	15,000	-	100.00	30,131	114	114	Note 1
	Yong Han	Hsin-chu, Taiwan	Solar related business	1,000	1,000	-	100.00	958	(40)	(40)	Note 1
	Yong Zhou	Hsin-chu, Taiwan	Solar related business	1,000	1,000	-	100.00	921	(76)	(76)	Note 1
	GES Samoa	Samoa	Investment company	471,214	471,214	15,950	100.00	497,796	US\$ (396)	(12,002)	Note 1
	GES JAPAN	Hokkaido, Japan	Investment company	121,340	121,340	10	100.00	104,783	NT\$ 13	13	Note 1
	GES Global	Virgin Islands	Investment company	-	-	-	-	(263)	(26)	(26)	Notes 1 and 3
GES Samoa	Hashimoto	Hashimoto, Japan	Solar related business	32,954	32,954	2	45.00	19,911	(20,865)	(8,606)	Note 1
	GES UK	London, UK	Investment company	US\$ 15,479	US\$ 15,479	15,458	100.00	US\$ 16,291	US\$ (396)	US\$ (396)	Note 1
GES UK	GES USA	Delaware, US	Investment company	US\$ 15,140	US\$ 15,140	15,080	100.00	US\$ 16,203	US\$ (390)	US\$ (390)	Note 1
	Renewable	Hokkaido, Japan	Solar related business	US\$ 122	US\$ 122	2	50.00	US\$ -	US\$ -	US\$ -	Note 1
GES USA	ET ENERGY	Indiana, US	Solar related business	US\$ 8,400	US\$ 8,400	-	100.00	US\$ 7,812	US\$ (109)	US\$ (109)	Note 1
	TIPPING POINT	Ohio, US	Solar related business	US\$ 1,000	US\$ 1,000	-	100.00	US\$ 793	US\$ 26	US\$ 26	Note 1
	GES MEGAONE	California, US	Solar related business	US\$ 950	US\$ -	-	-	US\$ 838	US\$ (52)	US\$ (52)	Note 1
	GES MEGATWO	California, US	Solar related business	US\$ -	US\$ -	-	-	US\$ (37)	US\$ (26)	US\$ (26)	Note 1
	GES MEGATHREE	Delaware, US	Solar related business	US\$ -	US\$ -	-	-	US\$ -	US\$ -	US\$ -	Notes 1 and 3
	GES ASSET ONE, INC.	California, US	Solar related business	US\$ -	US\$ -	-	-	US\$ -	US\$ -	US\$ -	Notes 1 and 3
	GES ASSET TWO, INC.	California, US	Solar related business	US\$ -	US\$ -	-	-	US\$ -	US\$ -	US\$ -	Notes 1 and 3
	GES ASSET	California, US	Investment company	US\$ -	US\$ -	-	-	US\$ (9)	US\$ (1)	US\$ (1)	Notes 1 and 3
	GES KYUSHU	Fukuoka, Japan	Solar related business	JPY\$ 249,330	JPY\$ 249,330	12.5	100.00	JPY\$ 203,839	JPY\$ 2,251	JPY\$ 2,251	Note 1
	GES FUKUSHIMA	Fukuoka, Japan	Solar related business	JPY\$ 27,454	JPY\$ 27,454	0.35	100.00	JPY\$ 26,812	JPY\$ (478)	JPY\$ (478)	Note 1
DeSolar Cayman	DeSolar US	Delaware, US	Investment company	US\$ 5,800	US\$ 5,800	-	100.00	US\$ 5,592	US\$ (58)	US\$ (58)	Note 1
	DeSolar HK	Hong Kong	Investment company	US\$ 120,100	US\$ 120,100	120,100	100.00	US\$ 116,494	US\$ 1,199	US\$ 1,199	Note 1
DeSolar HK	DeSolar Wu Jiang	Jiangsu, China	Solar related business	US\$ 120,000	US\$ 120,000	-	100.00	US\$ 116,425	US\$ 1,199	US\$ 1,199	Note 2
DeSolar US	DeSolar Development	Delaware, US	Solar related business	US\$ 4,850	US\$ 4,850	-	100.00	US\$ 5,302	US\$ (57)	US\$ (57)	Note 1
DeSolar Development	DSS-USF PHX LLC	US	Solar related business	US\$ 1,370	US\$ 1,370	-	100.00	US\$ 1,885	US\$ (16)	US\$ (16)	Note 1
	DSS-RAI LLC	US	Solar related business	US\$ 2,555	US\$ 2,555	-	100.00	US\$ 3,604	US\$ (44)	US\$ (44)	Note 1
DeSolar Singapore	DeSolar India	India	Solar related business	US\$ 300	US\$ 300	1,435	100.00	US\$ (1,380)	US\$ 52	US\$ 52	Note 1

Note 1: Recognized on the basis of unaudited financial statements as of March 31, 2014.

Note 2: Recognized on the basis of reviewed financial statements as of March 31, 2014.

Note 3: The Corporation's special-purpose entities.

TABLE 7

NEO SOLAR POWER CORP. AND SUBSIDIARIES

**INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands, Unless Stated Otherwise)**

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2014	Percentage of Ownership in Investment	Investment Gain (Loss) (Note)	Carrying Value as of March 31, 2014 (Note)	Accumulated Inward Remittance of Earnings as of March 31, 2014
					Outflow	Inflow					
DeiSolar Wu Jiang	Solar-related business	US\$ 120,000	Indirect investments through the Corporation's 100% subsidiary	US\$ 120,000	\$ -	\$ -	US\$ 120,000	100%	US\$ 1,199	US\$ 116,425	\$ -
Accumulated Investment in Mainland China as of March 31, 2014 (US\$ in Thousands)		Investment Amount Authorized by the Investment Commission, MOEA (US\$ in Thousands)		Limit on the Corporation's Investment in Mainland China							
US\$ 120,000		US\$ 120,000		NT\$ 11,728,365							

Note: Amount was recognized on the basis of reviewed financial statements.

TABLE 8

NEO SOLAR POWER CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2014
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions		
				Financial Statements Items	Amount	Percentage to Consolidated Total Gross Sales or Total Assets
0	For the three months ended March 31, 2013 NSP	General Energy Solutions	1 1 1 1 1 1 1 1 1 1	Sales Manufacturing expenses Research and development expenses Interest income Accounts receivable Accounts payable Accrued expenses and other current liabilities Rental income Rental income	\$ 7,974 112,483 264 123 12,020 38,673 13,467 15 15	- 4% - - - - - - -
1	General Energy Solutions	Prime Energy New Ray Yong Tang	1 1 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	Other liabilities Sales Interest income Rental income Accounts receivables Other receivables Interest income Rental income Other receivables Other liabilities Interest income Other receivables Prepaid legal and other expenses Prepaid legal and other expenses Refundable deposits	52 5 274 17 5 30,274 148 17 30,158 52 164 51,166 8,251 46 1,781	Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2
0	For the three months ended March 31, 2014 NSP	General Energy Solutions	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Sales Purchase Manufacturing expenses Accounts receivable Accounts payable Accrued expenses Rental income Rental income Sell fixed assets Purchase fixed assets Purchase Accounts payable Payables to contractors and equipment suppliers Other receivables Other receivables	37,722 80 96,670 19,501 13,063 61 15 15 2,749 30,598 971,641 16,469 31,629 3,862 46,666 159	1% - 1% - - - - - - - 13% - - - - -

(Continued)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
				Financial Statements Items	Amount	Terms	
1	DSS-RAL LLC	DelSolar Development	3	Other receivables	\$ 4,333	Note 2	-
1	General Energy Solutions	Yong Tang	3	Interest income	547	Note 2	-
			3	Rental income	17	Note 2	-
			3	Accounts receivable	54,293	Note 2	-
			3	Other receivables	100,000	Note 2	-
			3	Interest receivable	547	Note 2	-
			3	Other received in advance	52	Note 2	-
		Yong Liang	3	Rental income	17	Note 2	-
			3	Other received in advance	52	Note 2	-
		GES JAPAN	3	Other payables	2,959	Note 2	-
		GES KYUSHU	3	Accounts receivables	174,974	Note 2	-
			3	Other receivables	12,292	Note 2	-
		Hashimoto	3	Sales	26,817	Note 2	-
			3	Accounts receivable	102,807	Note 2	-
			3	Other receivables	59,026	Note 2	-
		GES FUKUSHIMA	3	Other receivables	42	Note 2	-
		GES USA	3	Interest income	108	Note 2	-
		GES ASSET	3	Other receivables	34	Note 2	-
		GES MEGAONE	3	Prepaid legal and other expenses	10,984	Note 2	-
			3	Advance receipts	806	Note 2	-
			3	Other receivables	397	Note 2	-
		GES MEGATWO	3	Other receivables	19,269	Note 2	-
1	GES USA	GES MEGAONE	3	Other receivables	12,164	Note 2	-
		GES MEGATWO	3	Other receivables	19,454	Note 2	-
		GES ASSET	3	Other receivables	263	Note 2	-
		TIPPING POINT	3	Interest income	75	Note 2	-
			3	Interest receivable	35	Note 2	-
		ET ENERGY	3	Other receivables	16,946	Note 2	-
			3	Interest income	424	Note 2	-
			3	Interest receivable	765	Note 2	-
			3	Other receivables	102,947	Note 2	-
1	GES FUKUSHIMA	GES KYUSHU	3	Other receivables	1,635	Note 2	-
		Hashimoto	3	Other receivables	566	Note 2	-
1	GES JAPAN	GES KYUSHU	3	Other receivables	24,434	Note 2	-
		GES FUKUSHIMA	3	Other receivables	3,713	Note 2	-
			3	Accrued expense	37	Note 2	-
1	GES KYUSHU	Hashimoto	3	Other receivables	20,111	Note 2	-

Note 1: No. 1 represents the transaction from parent company to subsidiary. No. 2 represents the transaction from subsidiaries to parent company; No. 3 represents the transactions between subsidiaries.

Note 2: At normal commercial prices and terms.

(Concluded)

APPENDIX A — THE SECURITIES MARKETS OF THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchasers, the Trustee, the Principal Paying Agent, the Conversion Agent, the Transfer Agent, the Registrar or any of our respective affiliates or advisors in connection with this offering. References to the FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the FSC.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. On July 1, 2004, the ROC Securities and Futures Commission was renamed the ROC Securities and Futures Bureau (“**ROC SFB**”) and was reassigned to the jurisdiction of a new regulatory body, namely the Financial Supervisory Commission, or the FSC.

The TWSE

In 1961, the ROC Securities and Exchange Commission, working together with private interests, established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user’s fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage, dealing and underwriting) must be made through the TWSE.

The TWSE commenced operations in 1962 and during the remainder of the 1960’s grew at a slow pace, largely due to lack of experience among issuers and investors and an unwillingness on the part of ROC businesses to offer their shares to the public. During the early 1980’s, the ROC Securities and Exchange Commission more actively encouraged new listings on the TWSE and the number of listed companies grew from 119 in 1983 to 845 as of June 30, 2014. As of June 30, 2014, the total market value of shares listed on the TWSE was approximately NT\$26.85 trillion.

Historically the ROC companies have listed only common shares and bonds. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issue of the ROC’s first exchangeable bonds (such bonds being exchangeable at the option of the bondholders into shares of companies owned by the issuers). Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE and traded on the ROC GreTai Securities Market, or GTSM (see below).

The FSC has promulgated regulations that would permit foreign issuers to list their equity securities or Taiwan depositary receipts evidencing their equity securities on the TWSE. The TWSE has established specific requirements for listing mainly based on the number and distribution of a company’s shareholders, years in existence, amount of paid-in capital and profitability. However, special listing criteria apply to technology companies and key business engaging in national economic development.

The following table shows for the periods indicated information relating to the TWSE Index.

Period ended December 31,	Number of Listed Companies at the Period End	Trading Values	Index High	Index Low	Index at Period End
		NT\$ (in billions)			
1990	199	19,031.3	12,495.34	2,560.47	4,530.16
1991	221	9,682.7	6,305.22	3,316.26	4,600.67
1992	256	5,917.1	5,391.63	3,327.67	3,377.06
1993	285	9,056.7	6,070.56	3,135.56	6,070.56
1994	313	18,812.1	7,183.75	5,194.63	7,124.66
1995	347	10,151.5	7,051.49	4,503.37	5,173.73
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.2	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	20,512.2	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.8	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08
2012	809	20,238.2	8,144.04	6,894.66	7,699.50
2013	838	18,940.9	8,623.43	7,616.64	8,611.51
2014 (through June 30, 2014)	845	10,995.6	9,393.07	8,264.48	9,393.07

Source: TWSE website (www.twse.com.tw)

As indicated above, the performance of the TWSE has in recent years been characterized by extreme price volatility.

The GTSM

To complement the TWSE, the GTSM was established in September 1982 on the initiative of the ROC Securities and Exchange Commission to encourage the trading of securities of companies who do not qualify for listing on the TWSE. As of June 30, 2014, the market capitalization of companies listed on the GTSM was approximately NT\$2.8 trillion.

The GTSM has established specific requirements for trading securities on the GTSM based on the history of a company, the number and distribution of a company's shareholders, amount of capital and profitability.

Price Limits, Commissions, Transaction Tax and other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. Transactions that involve 500 or more trading lots, that is 500,000 shares, of one class of securities, or trading amount exceeding NT\$15 million for one class of securities or securities of five or more different classes and trading amounts exceeding NT\$15 million must be registered and executed under TWSE block trade guidelines. Except for initial publically offered shares within certain period of time as provided in accordance with the TWSE rules, fluctuations in the price of securities traded on the TWSE

is restricted to 7.0% above and below the previous day's closing price in the case of equity securities, and 7.0% in the case of convertible bonds. However, the FSC has modified these restrictions from time to time based on market conditions.

Securities brokers may set the brokerage commission at any rate subject to reporting to the TWSE, and, if the rate is higher than 0.1425% of the transaction price, shall notify their customers of the rate in advance.

A securities transaction tax of 0.3% of the transaction price is payable by the seller of equity securities. This securities transaction tax is withheld at the time of the transaction. No securities transaction tax will be imposed on the transfer of corporate bonds until December 31, 2016.

Sales of shares of listed companies on the TWSE are generally sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in making these sales.

Regulation and Supervision

The FSC has extensive regulatory authority over companies listed on the TWSE, companies listed on the GTSM and unlisted public issuing companies generally. Such companies are generally required to obtain approval from, or register with, the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC is responsible for the establishment of standards for financial reporting and carries out licensing and supervision with respect to the other participants in the ROC securities market.

The FSC has responsibility for implementation of the Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issue and trading of securities. In addition, the Securities and Exchange Law specifically empowers the FSC to promulgate rules under certain circumstances.

The Securities and Exchange Law prohibits market manipulation. It permits an issuer to recover certain short-term trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) holding more than 10.0% of the issued shares of the issuer. The Securities and Exchange Law prohibits trading of equity or debt securities by "insiders" based on non-public information that materially affects the price movements of equity securities or the issuer's ability to repay the principal amount or interest of the debt securities prior to publication of such information and within 18 hours after publication of such information.

Pursuant to the Securities and Exchange Law, the term "insiders" includes:

- directors, supervisors, managerial personnel, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the outstanding shares of the issuer and any individual designated by a governmental or corporate director or supervisor to act on its behalf;
- any person who has learned material, non-public information due to occupational or controlling relationship with the issuer;
- any person who has discharged from the status or position in the first and second bullet points for less than six months; and
- any person who has learned material, non-public information from any of the above.

Sanctions include prison terms. In addition, damages may be awarded to persons injured by the transaction. Notwithstanding these regulatory requirements, there have been recurring press reports on insider trading and manipulation of stock prices in the ROC.

The Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other evidentiary documents that are related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, the Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under the Securities and Exchange Law. Criminal actions may be pursued only by the district prosecutors located in the district where the defendant is domiciled or where the violation occurred. Under ROC law, civil actions may only be brought by plaintiffs who assert that they have suffered damage. The FSC is directly empowered to curb abuses and violations of applicable laws and regulations only through administrative measures such as the issuance of warnings, temporary suspension of operation, imposition of administrative fines and revocation of licenses.

In addition to providing a market for securities trading, the TWSE has primary responsibility for reviewing applications by ROC issuers to list securities on the TWSE. In addition, the FSC reviews all securities offerings by listed companies. If issuers of listed securities violate relevant laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

APPENDIX B — FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchasers, the Trustee, the Agents or any of our respective affiliates or advisors in connection with this offering.

GENERAL

Historically, foreign investments in the securities market of Taiwan were restricted. However, beginning in 1983, the Taiwan government has from time to time enacted legislation and adopted regulations to make foreign investment in the Taiwan securities market possible.

Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals (the “**Foreign Regulations**”), which was approved by the Executive Yuan on May 26, 1983 and has been amended from time to time, and the Regulations Governing Mainland China Investors’ Securities Investments and Futures Trading in Taiwan (the “**PRC Regulations**”), which was announced by the FSC on April 30, 2009, are two of the major regulations governing foreign investment in securities and future trading in Taiwan.

Under the Foreign Regulations, foreign investors (other than PRC persons) are classified as either “onshore foreign investors” or “offshore foreign investors” according to their respective geographical location. Unless otherwise specified in the laws and regulations, both onshore and offshore foreign investors are allowed to invest in ROC securities after they register with the TWSE. The Foreign Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. “Foreign institutional investors” refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling as separately determined by the FSC after consultation with the CBC. The FSC had never determined a maximum investment ceiling. This rule regarding maximum investment was abolished in 2008. Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the ROC securities market.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in the ROC.

On April 30, 2009, the FSC promulgated the PRC Regulations allowing PRC institutional investors that meet the qualifications imposed by PRC securities regulators for Qualified Domestic Institutional Investors (“**QDII**”) and certain other PRC persons to invest in securities of ROC companies.

The Securities Investment Regulations for PRC Nationals promulgated in 2009 (as amended in 2010) allow PRC nationals and institutional investors to make investment in ROC securities, if they are qualified for any of the following categories: (i) qualified domestic institutional investors approved by the PRC government, also known as “**QDIIs**”; (ii) PRC residents who are employees of a TWSE-listed or GTSM listed company and thereupon granted securities; (iii) companies incorporated under the laws of PRC or PRC residents who are the stockholders of a foreign company whose shares or depositary receipts are listed and traded on the TWSE or GTSM; or (iv) other categories as permitted by the competent authority. Subject to the requirements and restrictions set forth below, a PRC investor may invest in TWSE-listed or GTSM-listed securities, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds issued by public companies, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle, warrants and other securities as permitted by the FSC:

- PRC investors are required to appoint their agent or nominee in Taiwan for opening a securities trading account.

- PRC investors are required to appoint a custodian permitted by the competent authority to handle the custody of funds and certificates related to securities.
- In exercising the voting rights of the shares of a TWSE-listed or GTSM-listed company, unless otherwise permitted by laws and regulations, PRC investors may not substantial control or effect the operation and management of the company.
- The amount of investment remittance for each QDII is capped at US\$100 million, and the total amount remitted into Taiwan by all QDIIs shall not exceed US\$500 million.
- The PRC investor may not exceed the PRC ownership limit imposed by the Taiwan competent authority.

The total investment amount allowed to be remitted into Taiwan by QDIIs cannot exceed US\$500 million. The custodians of each QDII must apply with the TWSE for the remittance amount of the QDII, which cannot exceed US\$100 million for each QDII. In addition, QDIIs are currently prohibited from investing in certain industries (including civil aviation industry that we currently operate), and their investment in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and relevant authorities and amended from time to time.

Foreign Investment Approval

In addition to investments permitted under the Foreign Regulations and PRC Regulations, foreign investors (other than PRC persons) who wish to make (i) direct investments in the shares of ROC private companies or (ii) investment in 10% or more of the equity interest of an ROC company listed on the TWSE or the GTSM in any single transaction and PRC investors who wish to make (i) direct investment in the shares of ROC private companies or (ii) investments, individually or aggregately, in 10% or more of the equity interest of an ROC company listed on the TWSE or the GTSM in certain industries on the Positive List, as promulgated by the Executive Yuan are required to submit an investment approval application to the Investment Commission of the MOEA or other government authority. The Investment Commission or such other government authority reviews investment approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). PRC investors other than QDII are prohibited from making investments in an ROC company listed on the TWSE or the GTSM if the investment is less than 10% of the equity interest of such ROC company.

Under current law, any non-ROC person possessing an investment approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in securities of ROC companies, foreign investors are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that foreign investors may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investors in securities of ROC companies, PRC investors may only invest in certain industries in the Positive List, as promulgated by the Executive Yuan. In addition, PRC investor who wishes to be elected as an ROC

company's director or supervisor shall also submit an investment approval application to the Investment Commission of the MOEA or other government authority for approval.

Currently, foreign investors (other than PRC persons) are not allowed to hold in aggregate 50% or more of our issued shares. In addition, a foreign investor (other than a PRC person) cannot hold more than 25% of our issued shares. Chairman of our board of directors and more than half of our directors should be ROC nationals. Under current ROC law and regulation, PRC investors are not allowed to hold our shares.

Depository Receipts

In April 1992, the ROC SFB began allowing Taiwan companies listed on the TWSE to sponsor the issuance and sale of depository receipts evidencing shares of its capital stock. In December 1994, the ROC Ministry of Finance began allowing companies whose shares are traded on the GTSM also to sponsor the issuance and sale of depository receipts evidencing depository shares representing shares of its capital stock. Approvals for these issuances are still required. On October 24, 2002, the ROC SFB began allowing public companies that are not listed on the TWSE and the GTSM to sponsor the issuance and sale of depository receipts by way of private placement outside the ROC.

Immediately after the issuance of a depository receipt (if the deposited shares are existing shares) or after the shares are issued and delivered (if the deposited shares are new shares), a holder of the depository receipt may request the depository to cause the underlying shares to be sold in Taiwan and to distribute the proceeds of the sale to or to withdraw the shares and deliver the shares to the depository receipt holder. A PRC holder of the depository receipt may not withdraw shares unless (i) it is a QDII or (ii) if all the businesses of the issuer are in the Positive List promulgated by the Executive Yuan, the holder withdraws shares which accounts for 10% or more of the issuer's issued shares and it otherwise obtains the approval of the Investment Commission of the MOEA. However, QDIIs are currently prohibited from investing in certain industries (including civil aviation industry that we currently operate), and their investment in certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and relevant authorities and amended from time to time. In addition, there are restrictions on the remittance amount to or from Taiwan by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might cause a holder of depository shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depository or a holder of depository receipts may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT dollars into other currencies, including U.S. dollars, in respect of the following: (1) proceeds of the sale of shares represented by depository receipts, (2) proceeds of the sale of shares received as stock dividends and deposited into the depository receipt facility and (3) any cash dividends or cash distributions received. In addition, a depository, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of underlying shares for deposit into the depository receipt facility against the creation of additional depository receipts. A depository may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US\$100,000 per remittance. Proceeds from the sale of the underlying shares withdrawn from the depository receipt facility may be used for reinvestment in the TWSE or the GTSM securities, subject to relevant regulations.

Under current ROC laws, a non-ROC holder of depository receipts, when withdrawing the shares underlying the depository receipts, will be required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such holder of depository receipts on behalf of and as an agent for such holder of depository receipts. Any such holder of depository receipts is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant

information. In addition, such holder of depositary receipts is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting the foregoing requirements, the withdrawing holder of depositary receipts would be unable to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

Overseas Corporate Bonds

Since 1989, the FSC has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. The relevant regulations also permit public issuing companies to issue corporate debt in offerings outside the ROC. Under current ROC law, such overseas corporate bonds (i) can be converted by bondholders into shares of ROC companies or (ii) subject to FSC approval, may be converted into depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. A PRC holder of convertible or exchangeable bonds may not convert or exchange bonds into shares unless (i) it is a QDII or (ii) if all the businesses of the issuer are in the Positive List promulgated by the Executive Yuan, the shares converted from overseas convertible bonds which accounts for 10% or more of the issuer's issued shares and it otherwise obtains the approval of the Investment Commission of the MOEA. However, QDIIs are currently prohibited from investing in certain industries (including civil aviation industry that we currently operate), and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of the overseas corporate bonds who is a PRC person to be unable to convert or exchange the bonds and hold the shares.

Proceeds from the sale of the shares converted or exchanged from overseas convertible or exchangeable bonds may be used for reinvestment in securities listed on the TWSE or traded on the GTSM, subject to relevant regulations.

Under current ROC law, a non-ROC converting or exchanging bondholder, when exercising his conversion or exchange right to convert or exchange bonds into common shares, is required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such converting or exchanging bondholder on behalf of and as an agent for such converting or exchanging bondholder. Also, any such converting or exchanging bondholder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such converting or exchanging bondholder is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting these requirements, the converting or exchanging holder would not be able to receive, hold, or subsequently sell or otherwise transfer the shares into which the overseas bonds may have been converted or exchanged on the TWSE or otherwise.

Unless otherwise limited by the CBC, an ROC company may, without obtaining further approvals from the CBC or any other government authority of the ROC, convert NT dollars to other non-ROC currencies, including U.S. dollars, for making payments in respect of redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting or exchanging bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of converted or exchanged common shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such common shares and, after becoming a shareholder, convert into NT dollars inward remittances of subscription payments in connection with a rights offering. However, a converting or exchanging bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued shares if the proceeds are in excess of US\$100,000 per remittance.

Exchange Controls

Taiwan's Foreign Exchange Control Statute and related regulations provide that all foreign exchange transactions must be executed by banks designated to handle foreign exchange transactions by the FSC and by the CBC. Current regulations favor trade or services related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related or service-related foreign exchange transactions, ROC companies and individual residents of the ROC may, without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US\$50 million, or its equivalent, and US\$5 million, or its equivalent, respectively, in each calendar year. These limits apply to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies. In addition, all private enterprises are required to register all medium- and long-term foreign debt with the CBC. In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from Taiwan foreign currencies of up to US\$100,000 (or its equivalent) per remittance if the required documentation is provided to the ROC authorities. This limit applies to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies.

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